Report of Independent Auditors and
Financial Statements

Alameda Alliance for Health

June 30, 2024 and 2023

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Management’s Discussion and Analysis

INTRODUCTION

In accordance with the Governmental Accounting Standards Board (GASB) Codification Section 2200, *Annual Comprehensive Financial Report*, Alameda Alliance for Health presents comparative financial highlights as of and for the fiscal years ended June 30, 2024, 2023, and 2022. This discussion and analysis should be read in conjunction with the financial statements in this report.

Alameda Alliance for Health is a licensed health maintenance organization that operates in Alameda County (the County). The County's Board of Supervisors established Alameda Alliance for Health in March 1994 in accordance with the State of California Welfare and Institutions Code (the Code) Section 14087.54. This legislation provides that Alameda Alliance for Health is a public entity, separate and apart from the County, and is not considered an agency, division, or department of the County. Alameda Alliance for Health is not governed by, nor is it subject to, the Charter of the County and is not subject to the County's policies or operational rules. Alameda Alliance for Health received its Knox-Keene license in September 1995 and commenced operations in January 1996.

The mission and purpose of Alameda Alliance for Health is to improve the quality of life of our members and people throughout our diverse community by collaborating with our provider partners in delivering high-quality, accessible, and affordable health care services. As participants of the safety-net system, we recognize and seek to collaboratively address social determinants of health as we proudly serve the County. No individual or entity has any ownership interest in Alameda Alliance for Health and all accumulated net position is available to invest in programs consistent with its mission.

Alameda Alliance for Health contracts with the California Department of Health Care Services (CDHCS) to receive funding to provide health care services to the Medi-Cal eligible County residents who are enrolled as members of Alameda Alliance for Health (CDHCS Contract). The CDHCS contract specifies capitation rates that may be adjusted annually. CDHCS revenue is paid monthly and is based upon contracted rates and actual Medi-Cal enrollment. Alameda Alliance for Health, in turn, has contracted with hospitals, physicians, and community-based organizations whereby capitation payments (agreed-upon monthly payments per member) and fee-for-service payments are made in return for contracted health care services for its members. These contracts are typically evergreen and contain annual rate change provisions, termination clauses, and risk-sharing provisions.

Using This Annual Report – Alameda Alliance for Health's financial statements consist of three statements: statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows. These financial statements and related notes provide information about the activities of Alameda Alliance for Health, including resources held by Alameda Alliance for Health but restricted or designated for specific purposes.

The Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position – The statements of net position and statements of revenues, expenses, and changes in net position report information about Alameda Alliance for Health's resources and activities during the period. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All revenue and expenses are included, regardless of when cash is received or paid.

These two financial statements report Alameda Alliance for Health's net position and changes in net position. Over time, increases and decreases in Alameda Alliance for Health's net position are indicators of whether its financial health is improving or deteriorating. Other nonfinancial factors should also be considered, such as changes in Alameda Alliance for Health's membership, measurements for the quality of service provided to members, and local economic factors, to assess the overall health of Alameda Alliance for Health.

The Statements of Cash Flows – The final required statements are the statements of cash flows. These statements present cash receipts, cash payments, and net changes in cash resulting from operations, investing, noncapital financing, and capital and related financing activities.

Overview of the Financial Statements and Financial Analysis

On June 30, 2024, Alameda Alliance for Health had assets and deferred outflows of resources of $1,091,189,218 and liabilities and deferred inflows of resources of $835,814,081. The resulting net position, which represents Alameda Alliance for Health's assets and deferred outflows of resources after the liabilities and deferred inflows of resources, decreased by $68,581,904 to $255,375,137 at June 30, 2024, compared to $323,957,041 at June 30, 2023. The change in net position is due to total net operating loss and nonoperating income recorded during the 2024 fiscal year.

On June 30, 2023, Alameda Alliance for Health had assets and deferred outflows of resources of $800,124,979 and liabilities and deferred inflows of resources of $476,167,938. The resulting net position, which represents Alameda Alliance for Health's assets and deferred outflows of resources after the liabilities and deferred inflows of resources, increased by $93,332,739 to $323,957,041 at June 30, 2023, compared to $230,624,302 at June 30, 2022. The change in net position is due to total net operating income and nonoperating income recorded during the 2023 fiscal year.

ASSETS

Cash and Cash Equivalents

Cash and cash equivalents decreased by $26,010,654 from $35,220,849 at June 30, 2023 to $9,210,195 at June 30, 2024. The decrease is due to investing cash from short-term cash equivalents to long-term investments.

Cash and cash equivalents increased by $22,975,208 from $12,245,641 at June 30, 2022 to $35,220,849 at June 30, 2023. The increase is due to cash provided by operating activities of $118,977,143, cash used in capital and related financing activities of $3,946,565, and cash used in investing activities of $92,055,370. Much of the increase in cash reflects enhanced operating activities.

Changes in cash balances are due largely to the timing of collection of year-end receivables. All financial assets are invested in highly-liquid, short-term instruments held in two large money market funds and a managed investment account. Alameda Alliance for Health management believes it has adequate liquidity to meet its operating and cash flow needs for the foreseeable future.

Investments

Investments consist of commercial paper, certificate of deposits, U.S. government agency bonds, corporate and foreign bonds, and money market funds. Investments increased by $242,365,093 from $437,725,102 at June 30, 2023 to $680,090,195 at June 30, 2024. The increase reflects purchases of investments. Investments increased by $107,491,540 from $330,233,562 at June 30, 2022 to $437,725,102 at June 30, 2023. The increase reflects purchases of investments.

Premiums Receivable

Premiums receivable represent amounts owed to Alameda Alliance for Health for capitation and premium revenue. Premiums receivable increased by $71,057,494 from $148,645,937 at June 30, 2023 to $219,703,431 at June 30, 2024. The increase primarily reflects the timing of capitation revenue receipts due from the State of California. Premiums receivable decreased by $42,514,475 from $191,160,412 at June 30, 2022 to $148,645,937 at June 30, 2023. The decrease primarily reflects the timing of capitation revenue receipts due from the State of California.

Reinsurance Recoveries Receivable

Reinsurance recoveries receivable represent anticipated, but not yet received collections under the reinsurance policy. Reinsurance recoveries receivable increased by $2,484,880 from $3,125,278 at June 30, 2023 to $5,610,158 at June 30, 2024. The increase reflects a timing difference in processing of high dollar claims by the reinsurance company. Reinsurance recoveries receivable increased by $1,284,670 from $1,840,608 at June 30, 2022 to $3,125,278 at June 30, 2023. The increase reflects a timing difference in processing of high dollar claims by the reinsurance company.

Other Receivables

Other receivables represent miscellaneous nonpremium amounts due to Alameda Alliance for Health. Other receivables increased by $5,318,292 from $149,164,846 at June 30, 2023 to $154,483,138 at June 30, 2024. The increase reflects the timing of cash receipts of certain Directed Payments owed by CDHCS at year end. Other receivables increased by $141,525,918 from $7,638,928 at June 30, 2022 to $149,164,846 at June 30, 2023. The increase reflects the timing of cash receipts of certain Directed Payments owed by CDHCS at year end.

Prepaid Expenses

Prepaid expenses consist of payments made in the current period for goods or services to be received in one or more future periods. Prepaid expenses decreased by $4,604,704 from $4,900,719 at June 30, 2023 to $296,015 at June 30, 2024, mostly due to change in the prepaid asset definition. Prepaid expenses decreased by $511,343 from $5,412,062 at June 30, 2022 to $4,900,719 at June 30, 2023. The component increases and decreases are attributable to the timing of payments for various costs that are to be charged to expense after year end.

Restricted Cash

The California Department of Managed Health Care requires restricted cash of at least $300,000 be held in trust. Restricted cash remained at $350,000 at June 30, 2024 and 2023.

Capital Assets

Net capital assets increased by $229,843 from $5,217,971 at June 30, 2023 to $5,447,814 at June 30, 2024. The overall increase reflects a net impact of change of capital asset definition and overall purchase of new capital assets.

Net capital assets decreased by $455,259 from $5,673,230 at June 30, 2022 to $5,217,971 at June 30, 2023. The overall decrease reflects current-year capital asset acquisitions of $338,847 and annual depreciation and amortization expenses of $794,106.

Net Pension Asset

Net pension asset represents excess value of the California Public Employees' Retirement System (CalPERS) pension assets above the CalPERS pension liability under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). Net pension asset decreased by $6,930,703 from $6,930,703 at June 30, 2022 to $0 at June 30, 2023. The decrease reflects the costs for the operation of the plan exceeded contributions for the year.

Lease Assets

Lease assets represent net presents value of lease payments scheduled to be made under GASB Statement No. 87, *Leases* (GASB 87) for leases by governments. It also includes necessary costs needed to implement the leases. Lease assets is valued at $806,923 at June 30, 2024 and $1,440,685 at June 30, 2023. The decrease reflects the amortization of the lease assets over the term of the leases. Lease assets is valued at $1,440,685 at June 30, 2023 and $2,439,113 at June 30, 2022. The decrease reflects the amortization of the lease assets over the term of the leases.

Subscription Assets

Subscription assets represents net present value of subscription payments scheduled to be made under GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). It also includes necessary costs needed to implement the subscriptions. Subscription assets is valued at $4,089,460 at June 30, 2024 and $5,061,000 at June 30, 2023. The increase reflects additional subscription assets during the year and netted by the amortization of the subscription assets over the term of the subscription assets. Subscription assets is valued at $5,061,000 at June 30, 2023 and $3,351,665 at June 30, 2022. The increase reflects additional subscription assets during the year and netted by the amortization of the subscription assets over the term of the subscription assets.

Deferred Outflows of Resources

Deferred outflows of resources represent the unamortized changes in assumptions, unamortized net difference between projected and actual earnings on pension plan investments, unamortized difference between expected and actual experience, and employee contributions made during 2022, 2023, and 2024 that are deferred under GASB 68. Deferred outflows of resources increased by $1,829,297 from $9,272,592 at June 30, 2023 to $11,101,889 at June 30, 2024, due to changes in assumptions, changes in the difference between projected and actual earnings on pension plan investments, and employee contributions made during fiscal year 2024.

Deferred outflows of resources increased by $6,168,581 from $3,104,011 at June 30, 2022 to $9,272,592 at June 30, 2023, due to changes in assumptions, changes in the difference between projected and actual earnings on pension plan investments, and employee contributions made during fiscal year 2023.

LIABILITIES

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent the cost of services received in the current period for which payment has yet to be made. Accounts payable and accrued expenses increased by $3,863,289 from $6,485,459 at June 30, 2023 to $10,348,748 at June 30, 2024, due to an increase in accrued invoices and certain program expense at year end. Accounts payable and accrued expenses increased by $3,707,211 from $2,778,248 at June 30, 2022 to $6,485,459 at June 30, 2023, due to an increase in accrued invoices and certain program expense at year end.

Claims Payable

Claims payable represents Alameda Alliance for Health's estimated liability for health care and pharmacy expenses for which services have been performed but have not yet been paid for by Alameda Alliance for Health. Claims payable includes the estimated value of claims that have been incurred but not yet reported to Alameda Alliance for Health as well as the estimated value of claims that have been received by Alameda Alliance for Health but not yet paid.

Total claims payable increased by $141,431,008 from $203,204,326 at June 30, 2023 to $344,635,334 at June 30, 2024. Included in this change is an increase of $131,799,856 in the liability for incurred but not paid claims and an increase of $9,631,152 in the liability for other medical payments. The change in the liability for incurred but not paid claims reflects the increase of fee for service expense incurred but unpaid claims. The change in the liability for other medical payments is mainly due to a net increase in payables to certain providers for CalAIM programs.

Total claims payable increased by $70,511,229 from $132,693,097 at June 30, 2022 to $203,204,326 at June 30, 2023. Included in this change is an increase of $51,400,029 in the liability for incurred but not paid claims and an increase of $19,111,200 in the liability for other medical payments. The change in the liability for incurred but not paid claims reflects the increase of fee for service expense incurred but unpaid claims. The change in the liability for other medical payments is mainly due to a net increase in payables to certain providers for CalAIM programs.

Payable to Other Governmental Agencies, Hospital Fee, and Directed Payments Payables

Payable to other governmental agencies, hospital fee, and directed payments payables includes the amounts due for Managed Care Organization (MCO) tax assessments, liabilities related to intergovernmental transfer due to participating safety net hospitals, Hospital Quality Assurance Fee (HQAF), Directed Payments due to Private and Designed Public hospitals, and medical loss ratio requirements. Payable to other governmental agencies and hospital fee payables increased by $192,990,806 from $243,539,400 at June 30, 2023 to $436,530,206 at June 30, 2024, mainly due to the new Directed Payment program. Payable to other governmental agencies and hospital fee payables increased by $63,637,431 from $179,901,969 at June 30, 2022 to $243,539,400 at June 30, 2023, mainly due to the new Directed Payment program.

Other Liabilities

Other liabilities are comprised of a liability for payroll earned but not paid, a liability for provider pay-for-performance earned but not paid, a liability for provider grants and new health management programs, and a liability for risk corridor reserves. Other liabilities increased by $22,191,492 from $11,537,070 at June 30, 2023 to $33,728,562 at June 30, 2024. Risk corridor reserves for Major Organ Transplant and Enhanced Care Management contributed $19,000,000 of the increase.

Payroll liabilities increased by $2,169,338 from $5,929,887 as of June 30, 2023 to $8,099,225 as of June 30, 2024. Most of the increase reflected higher accrued paid time off and employee benefits. The pay-for-performance liability increased by $1,022,154 from $5,607,183 at June 30, 2023 to $6,629,337 at June 30, 2024, due to increase in anticipated payout of funds.

Payroll liabilities increased by $1,222,452 from $4,707,435 as of June 30, 2022 to $5,929,887 as of June 30, 2024. Most of the increase reflected higher accrued paid time off and employee benefits. The pay-for-performance liability decreased by $1,767,749 from $7,374,932 at June 30, 2022 to $5,607,183 at June 30, 2024, due to a payout of funds. The provider grants and new health management liability decreased by $226,672 from $226,672 at June 30, 2022 to $0 at June 30, 2024, due to a payout of fund and the closure of the program.

Net Pension Liability

Net pension liability represents the deficit between CalPERS pension assets and the CalPERS pension liability under GASB 68. Net pension liability increased by $857,684 from $5,286,448 at June 30, 2023 to $6,144,132 at June 30, 2024. The increase reflects the costs exceeded contributions for the operation of the plan for the year. Net pension liability increased by $5,286,448 from $0 at June 30, 2022 to $5,286,448 at June 30, 2023. The increase reflects the costs exceeded contributions for the operation of the plan for the year.

Lease Liabilities

Lease liabilities represents net present value of lease payments scheduled to be made under GASB 87. Lease liability is valued at $851,912 at June 30, 2024 and $1,634,048 at June 30, 2023. The decrease reflects the adjustment in net present value of lease terms. Lease liability is valued at $1,634,048 at June 30, 2023 and $2,633,053 at June 30, 2022. The decrease reflects the adjustment in net present value of lease terms.

Subscription Liabilities

Subscription liabilities represents net present value of subscription payments scheduled to be made under GASB 96. Subscription liabilities are valued at $3,465,300 at June 30, 2024 and $4,302,666 at June 30, 2023. The decrease reflects less subscription liabilities during the year. Subscription liabilities are valued at $4,302,666 at June 30, 2023 and $3,356,557 at June 30, 2022. The increase reflects additional subscription liabilities during the year and the adjustment in net present value of lease terms.

Deferred Inflows of Resources

Deferred inflows of resources represent the unamortized difference between projected and actual earnings on pension plan investments, unamortized changes in assumptions, and unamortized differences between expected and actual experiences under GASB 68. Deferred inflows of resources decreased by $68,634 from $178,521 at June 30, 2023 to $109,887 at June 30, 2024, due to the difference between projected and actual earnings on pension plan investments, changes in assumptions, and differences between expected and actual experiences.

Deferred inflows of resources decreased by $5,905,149 from $6,083,670 at June 30, 2022 to $178,521 at June 30, 2023, due to the difference between projected and actual earnings on pension plan investments, changes in assumptions, and differences between expected and actual experiences.

Net Position

Total net position decreased by $68,581,904 from $323,957,041 at June 30, 2023 to $255,375,137 at June 30, 2024. The decrease is due to the following:

Net operating loss	$ (99,533,889)
Investment income	30,951,985
Decrease in net position	$ (68,581,904)

Total net position increased by $93,332,739 from $230,624,302 at June 30, 2022 to $323,957,041 at June 30, 2023. The increase is due to the following:

Net operating income	$ 78,295,913
Investment income	15,036,826
Increase in net position	$ 93,332,739

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Capitation and Premium Revenue and Membership

Member Months

For the fiscal years ended June 30, 2024 and 2023, member months were as follows:

	2024	2023	Increase/ Decrease	% Increase/ Decrease
Medi-Cal	4,475,730	3,983,034	492,696	12%
Group Care	67,529	69,017	(1,488)	-2%
Total	4,543,259	4,052,051	491,208	12%

There were increases in all categories of aid, but the largest increases were experience in Optional Expansion, Duals, and the Adult categories of aid.

For the fiscal years ended June 30, 2023 and 2022, member months were as follows:

	2023	2022	Increase/ Decrease	% Increase/ Decrease
Medi-Cal	3,983,034	3,536,180	446,854	13%
Group Care	69,017	70,191	(1,174)	-2%
Total	4,052,051	3,606,371	445,680	12%

There were increases in all categories of aid, but the largest increases were experience in Optional Expansion, Child, and Adult categories of aid.

Revenues

For fiscal year 2024, capitation and premium revenue increased by $838,495,850 from $1,515,498,995 in 2023 to $2,353,994,845 in 2024. Medi-Cal revenue, net of premium taxes, increased by $307,643,667 or 22% mostly due to increasing member months and increase in capitation rates. Group Care revenue decreased by $716,732 or 2% due to a decrease in member months.

For fiscal year 2023, capitation and premium revenue increased by $199,681,061 from $1,315,817,934 in 2022 to $1,515,498,995 in 2023. Medi-Cal revenue, net of premium taxes, increased by $253,239,745 or 22% mostly due to increasing member months and capitation rates. Group Care revenue increased by $5,284,481 or 20% due to an increase in rates.

Medical Reinsurance

Medical reinsurance, included in other revenue, includes reinsurance recovery payments less reinsurance premium paid or accrued. Net reinsurance income increased by $1,791,908 from ($189,748) in 2023 to $1,602,160 in 2024 due to increased recoveries. Net reinsurance income decreased by $1,811,214 from $1,621,466 in 2022 to ($189,748) in 2023 due to higher premium offset by fewer recoveries.

Health Care Expense

Health care expense represents Alameda Alliance for Health's cost of providing physician, hospital, pharmacy, laboratory, other medical services, and other related services to members. Alameda Alliance for Health has contracted with various health care providers and community-based organizations whereby capitation payments (agreed-upon payments per member) and fee-for-service payments are made in return for contracted health care services for its members.

Health care expense increased by $462,153,500, or 36%, from $1,291,230,449 in 2023 to $1,753,383,949 in 2024 due to increased member months and cost of medical services.

The chart below shows the per-member-per-month (PMPM) effect of these costs:

Health Care Expenses	**2024**	**2023**	**2024 PMPM**	**2023 PMPM**
Medical services	$ 1,753,383,949	$ 1,291,230,449	$ 385.93	$ 318.66
Total member months	4,543,259	4,052,051		

Health care expense increased by $189,970,293, or 17%, from $1,101,260,156 in 2022 to $1,291,230,449 in 2023 due to increased member months and cost of medical services.

The chart below shows the PMPM effect of these costs:

Health Care Expenses	**2023**	**2022** (As Restated)	**2023 PMPM**	**2022 PMPM**
Medical services	$ 1,291,230,449	$ 1,101,260,156	$ 318.66	$ 305.37
Total member months	4,052,051	3,606,371		

Marketing, General, and Administrative Expenses

Marketing, general, and administrative expenses increased by $24,631,193 from $69,799,913 in 2023 to $ 94,431,106 in 2024 largely due to increases in employee headcount to serve increased enrollment of members and expanded covered Medi-Cal benefits.

Marketing, general, and administrative expenses increased by $11,167,840 from $58,632,073 in 2022 to $69,799,913 in 2023 largely due to increases in employee headcount to serve increased enrollment of members and expanded covered Medi-Cal benefits.

Nonoperating Income/Expense

Nonoperating income/expense represents interest income, unrealized gains and losses resulting from cash held in financial institutions, changes in the market value of investments and investments held for restricted cash balances, contributions received for purposes other than capital asset acquisition, and interest expense.

Nonoperating income increased by $15,915,159 from $15,036,826 in 2023 to $30,951,985 in 2024 largely due to increased investment income, net of unrealized losses.

Nonoperating income increased by $15,024,458 from $12,368 in 2022 to $15,036,826 in 2023 largely due to increased investment income, net of unrealized losses.

Three-Year Trend in Net Position

	2024	2023	2022 (As Restated)
ASSETS			
Current assets	$ 1,036,400,886	$ 767,222,194	$ 548,531,213
Noncurrent assets	38,790,060	17,128,508	6,023,230
Net pension asset	-	-	6,930,703
Lease assets, net of amortization	806,923	1,440,685	2,439,113
Subscription assets, net of amortization	4,089,460	5,061,000	3,351,665
Deferred outflows of resources	11,101,889	9,272,592	3,104,011
Total assets and deferred outflows of resources	$ 1,091,189,218	$ 800,124,979	$ 570,379,935
LIABILITIES			
Current liabilities	$ 828,563,596	$ 467,606,623	$ 329,779,267
Net pension liability	6,144,132	5,286,448	-
Lease liability, net of current portion	78,600	816,016	1,837,881
Subscription liabilities, net of current portion	917,866	2,280,330	2,054,815
Deferred inflows of resources	109,887	178,521	6,083,670
Total liabilities and deferred inflows of resources	835,814,081	476,167,938	339,755,633
NET POSITION			
Invested in capital assets	5,447,814	5,217,971	5,673,230
Restricted	350,000	350,000	350,000
Unrestricted	249,577,323	318,389,070	224,601,072
Total net position	255,375,137	323,957,041	230,624,302
Total liabilities, deferred inflows of resources, and net position	$ 1,091,189,218	$ 800,124,979	$ 570,379,935

Changes in Net Position

	2024	2023	2022 (As Restated)
Total member months	4,475,730	4,052,051	3,606,371
Operating revenues	$ 2,356,552,730	$ 1,515,363,244	$ 1,319,472,761
Health care expenses	1,753,383,949	1,291,230,449	1,101,260,156
Marketing, general, and administrative expenses	94,431,104	69,799,913	58,632,073
Depreciation and amortization expense	4,303,703	3,638,021	3,136,527
Premium tax	603,967,863	72,398,948	131,242,113
Total operating expenses	2,456,086,619	1,437,067,331	1,294,270,869
Net (loss) income from operations	(99,533,889)	78,295,913	25,201,892
Nonoperating income, net	30,951,985	15,036,826	12,368
Changes in net position	$ (68,581,904)	$ 93,332,739	$ 25,214,260

During the three-year period ended June 30, 2024, overall member months increased 24%, primarily due to year-over-year increase in Medi-Cal member months. Enrollment in Alameda Alliance for Health has increased as a result of the transition to single plan of Alameda County starting January 1, 2024. During the three-year period ended June 30, 2024, revenue increased 79% due to increased member months, higher supplemental payments, changes to capitation rates, and changes to the mix of members. During the three-year period ended June 30, 2024, health care expenses increased 59% as a result of changes in enrollment in all covered Medi-Cal benefits. The above factors combined to yield the overall significant favorable change in net position.

During the three-year period ended June 30, 2023, overall member months increased 22%, primarily due to year-over-year increase in Medi-Cal member months. During the three-year period ended June 30, 2023, revenue increased 27% due to increased member months, higher supplemental payments, changes to capitation rates, and changes to the mix of members. During the three-year period ended June 30, 2023, health care expenses increased 26% as a result of changes in enrollment. The above factors combined to yield the overall significant favorable change in net position.

As a licensed plan under Knox-Keene Health Care Services Plan Act of 1975, Alameda Alliance for Health is required to maintain a minimum level of tangible net equity and working capital. The required tangible net equity is $63,353,150, $42,723,743 and $38,089,979 at June 30, 2024, 2023, and 2022, respectively.

Alameda Alliance for Health was in compliance with regulatory tangible net equity and working capital requirements at June 30, 2024, 2023, and 2022.

MOSSADAMS

Report of Independent Auditors

The Board of Governors
Alameda Alliance for Health

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Alameda Alliance for Health, which comprise the statements of net position as of June 30, 2024 and 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the net position of Alameda Alliance for Health as of June 30, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Alameda Alliance for Health and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Alameda Alliance for Health's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Alameda Alliance for Health's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Alameda Alliance for Health's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 11, supplementary schedule of changes in net pension liability (asset), and related ratios and supplementary schedule of pension contributions on pages 44 through 45 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2024 on our consideration of Alameda Alliance for Health’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Alameda Alliance for Health’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alameda Alliance for Health’s internal control over financial reporting and compliance.

Moss Adams LLP

San Francisco, California
October 15, 2024

Financial Statements

Alameda Alliance for Health
Statements of Net Position
As of June 30, 2024 and 2023

	2024	2023
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	$ 9,210,195	$ 35,220,849
Short-term investments	647,097,949	426,164,565
Premiums receivable	219,703,431	148,645,937
Reinsurance recoveries receivable	5,610,158	3,125,278
Other receivables	154,483,138	149,164,846
Prepaid expenses	296,015	4,900,719
Total current assets	1,036,400,886	767,222,194
NONCURRENT ASSETS		
Long-term investments	32,992,246	11,560,537
Restricted cash	350,000	350,000
Total noncurrent assets	33,342,246	11,910,537
CAPITAL ASSETS		
Nondepreciable	1,557,283	1,557,283
Depreciable, net of accumulated depreciation and amortization	3,890,531	3,660,688
Total capital assets	5,447,814	5,217,971
LEASE ASSETS, net of accumulated amortization	806,923	1,440,685
SUBSCRIPTION ASSETS, net of accumulated amortization	4,089,460	5,061,000
Total assets	1,080,087,329	790,852,387
DEFERRED OUTFLOWS OF RESOURCES	11,101,889	9,272,592
Total assets and deferred outflows of resources	$ 1,091,189,218	$ 800,124,979
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 10,348,748	$ 6,485,459
Claims payable	344,635,334	203,204,326
Payable to other governmental agencies, hospital fee, and directed payments payables	436,530,206	243,539,400
Lease liabilities, current portion	773,312	818,032
Subscription liabilities, current portion	2,547,434	2,022,336
Other liabilities	33,728,562	11,537,070
Total current liabilities	828,563,596	467,606,623
NET PENSION LIABILITY	6,144,132	5,286,448
LEASE LIABILITIES, net of current portion	78,600	816,016
SUBSCRIPTION LIABILITIES, net of current portion	917,866	2,280,330
Total liabilities	835,704,194	475,989,417
DEFERRED INFLOWS OF RESOURCES	109,887	178,521
NET POSITION		
Invested in capital assets	5,447,814	5,217,971
Restricted		
Required by legislative authority	350,000	350,000
Unrestricted	249,577,323	318,389,070
Total net position	255,375,137	323,957,041
Total liabilities, deferred inflows of resources, and net position	$ 1,091,189,218	$ 800,124,979

See accompanying notes.

Alameda Alliance for Health
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2024 and 2023

	2024	2023
OPERATING REVENUES		
Capitation and premium revenue	$ 2,353,994,845	$ 1,515,498,995
Other revenue (expense), net	2,557,885	(135,751)
Total operating revenues	2,356,552,730	1,515,363,244
HEALTH CARE EXPENSES		
Medical services	1,753,383,949	1,291,230,449
MARKETING, GENERAL, AND ADMINISTRATIVE EXPENSES	94,431,104	69,799,913
DEPRECIATION AND AMORTIZATION EXPENSE	4,303,703	3,638,021
PREMIUM TAX	603,967,863	72,398,948
Total operating expenses	2,456,086,619	1,437,067,331
Operating (loss) income	(99,533,889)	78,295,913
NONOPERATING INCOME		
Investment income	30,951,985	15,036,826
Total nonoperating income	30,951,985	15,036,826
CHANGES IN NET POSITION	(68,581,904)	93,332,739
NET POSITION, beginning of year	323,957,041	230,624,302
NET POSITION, end of year	$ 255,375,137	$ 323,957,041

See accompanying notes.

Alameda Alliance for Health
Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Cash received from		
Capitation and premium revenue	$ 2,282,937,351	$ 1,558,013,470
Other revenue	2,557,885	(135,751)
Cash paid to providers for		
Medical and hospital expenses	(2,022,929,998)	(1,229,480,737)
Vendors and employees	(72,615,038)	(209,020,495)
Net cash provided by operating activities	189,950,200	119,376,487
CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of furniture and equipment	(1,159,396)	(338,847)
Payments of lease liabilities	(939,336)	(803,792)
Payments of subscription liabilities	(2,449,014)	(2,803,926)
Net cash used in capital and related financing activities	(4,547,746)	(3,946,565)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of investments	(2,262,365,093)	(1,752,704,406)
Proceeds from sale of investments	2,020,000,000	1,645,212,866
Investment income	30,951,985	15,036,826
Net cash used in investing activities	(211,413,108)	(92,454,714)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(26,010,654)	22,975,208
CASH AND CASH EQUIVALENTS, beginning of year	35,220,849	12,245,641
CASH AND CASH EQUIVALENTS, end of year	$ 9,210,195	$ 35,220,849
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating (loss) income	$ (99,533,889)	$ 78,295,913
Adjustments to reconcile operating (loss) income to net cash provided by operating activities		
Depreciation and amortization	4,303,703	3,638,021
Net changes in operating assets and liabilities		
Premiums receivable	(71,057,494)	42,514,475
Reinsurance recoveries receivable	(2,484,880)	(1,284,670)
Other receivables	(5,318,292)	(141,525,918)
Prepaid expenses	4,604,704	511,343
Accounts payable and accrued expenses	3,863,289	3,707,211
Claims payable	141,431,008	70,511,229
Payable to other governmental agencies, hospital fee, and directed payments payables	192,990,806	63,637,431
Other liabilities	22,191,492	(771,969)
Net pension liability/asset	(1,040,247)	143,421
Net cash provided by operating activities	$ 189,950,200	$ 119,376,487
SUPPLEMENTAL CASH FLOWS DISCLOSURE		
Cash paid during the year for premium tax	$ 460,769,376	$ 98,844,320
Subscription assets as a result of implementation of *GASB 96*	$ 1,611,648	$ 3,750,035
Subscription liabilities as a result of implementation of *GASB 96*	$ 1,070,209	$ 3,769,419

See accompanying notes.

Note 1 – Organization

Alameda Alliance for Health is a licensed health maintenance organization that operates in Alameda County (the County). The County's Board of Supervisors established Alameda Alliance for Health in March 1994 in accordance with the State of California Welfare and Institutions Code (the Code) Section 14087.54. This legislation provides that Alameda Alliance for Health is a public entity, separate and apart from the County and is not considered an agency, division, or department of the County. Alameda Alliance for Health is not governed by, nor is it subject to, the Charter of the County and is not subject to the County's policies or operational rules. Alameda Alliance for Health received its Knox-Keene license in September 1995 and commenced operations in January 1996.

The mission and purpose of Alameda Alliance for Health is to improve the quality of life of its members and people throughout its diverse community by collaborating with provider partners in delivering high-quality, accessible, and affordable health care services. As participants of the safety-net system, Alameda Alliance for Health recognizes and seeks to collaboratively address social determinants of health as it serves Alameda County. No individual or entity has any ownership interest in Alameda Alliance for Health and all accumulated net position is available to invest in programs consistent with its mission.

Alameda Alliance for Health contracts with the California Department of Health Care Services (CDHCS) to receive funding to provide health care services to the Medi-Cal eligible County residents who are enrolled as members of Alameda Alliance for Health (CDHCS Contract). The CDHCS Contract specifies capitation rates that may be adjusted annually. CDHCS revenue is paid monthly and is based upon contracted rates and actual Medi-Cal enrollment. Alameda Alliance for Health, in turn, has contracted with hospitals, physicians, and community-based organizations whereby capitation payments (agreed-upon monthly payments per member) and fee-for-service payments are made in return for contracted health care services for its members. These contracts are typically evergreen and contain annual rate change provisions, termination clauses, and risk-sharing provisions.

In September 2009, CDHCS implemented Assembly Bill No. 1422 (AB 1422) or MCO premium tax. This program imposes an assessment on Alameda Alliance for Health's capitation and premium revenue. The proceeds from the tax are appropriated from the Children's Health and Human Services Special Fund to the State Department of Health Care Services for specified purposes. This provision was effective retroactively to January 1, 2009, and continued through June 30, 2013. The provisions of AB 1422 were continued, a higher tax rate implemented, and a sales tax replaced the premium tax, via Senate Bill (SB) 78, beginning July 1, 2013 through June 30, 2016. On March 1, 2016, SB X2-2 established a new MCO provider tax, to be administered by CDHCS, effective July 1, 2016 through July 1, 2019. The tax would be assessed by CDHCS on licensed health care service plans, managed care plans contracted with CDHCS to provide Medi-Cal services, and alternate health care service plans (AHCSP), as defined, except as excluded by the bill. This bill would establish applicable taxing tiers and per enrollee amounts for the 2016–2017, 2017–2018, and 2018–2019 fiscal years for Medi-Cal enrollees, AHCSP enrollees, and all other enrollees, as defined. On September 27, 2019, Assembly Bill 115 (Chapter 348, Statutes 2019) authorized CDHS to implement a modified MCO tax model covering January 1, 2020 through December 31, 2022, on specified health plans. On June 29, 2023, Assembly Bill 119 (Chapter 13, Statues of 2023) reimposed the MCO tax effective April 1, 2023 through December 31, 2026.

Commencing in June 2010, CDHCS implemented a supplemental revenue or intra-governmental transfer program. This program assesses fees on the revenue of participating providers. CDHCS uses these assessments to obtain matching federal funds, which are returned to participating Alliance providers through Alameda Alliance for Health's administration. Alameda Alliance for Health received supplemental medical revenue of $86,625,350 and $76,456,322 for the years ended June 30, 2024 and 2023, respectively, representing the assessment and matching funds, net of MCO premium tax of $0 for the years ended June 30, 2024 and 2023. Related liabilities are recorded under payable to other governmental agencies, hospital fee, and directed payments payables in the statements of net position as of June 30, 2024 and 2023.

On September 8, 2010, the California State Legislature ratified Assembly Bill No. 1653, which established a HQAF program allowing additional drawdown of federal funding to be used for increased payments to general acute care hospitals for inpatient services rendered to Medi-Cal beneficiaries. Pursuant to Section 14167.6 (a), CDHCS increased capitation payments to Medi-Cal managed health care plans retroactive for the months of April 2009 through December 2010. Additionally, Medi-Cal managed care plans are required to adhere to the following regarding the distribution of the increased capitation rates with HQAF funding: Section 14167.6 (h)(1), "Each managed health care plan shall expend 100 percent of any increased capitation payments it receives under this section on hospital services"; and, Section 14167.10 (a), "Each managed health care plan receiving increased capitation payments under Section 14167.6 shall expend increased capitation payments on hospital services within 30 days of receiving the increased capitation payments." These payments were received and distributed in the manner as prescribed as a pass-through to revenue. The payments did have an effect on the overall AB 1422 gross premium tax paid. In April of 2011, California approved SB 90, which extended the HQAF through June 30, 2012. SB 335, signed into law in September of 2011, extended the HQAF portion of SB 90 for an additional 30 months through December 31, 2013. SB 239, signed into law in October of 2013, extended the HQAF portion of SB 90 for an additional 36 months through December 31, 2016. In November of 2016, California approved Proposition 52, which made SB 239 permanent and also created HQAF V. The program period for HQAF V is from January 1, 2017 through June 30, 2019. The program period for HQAF VI and VII is from July 1, 2019 through December 31, 2021 and January 1, 2022 through December 31, 2022, respectively. Alameda Alliance for Health received HQAF payments of $47,750,392 and $24,092,869 for the years ended June 30, 2024 and 2023, respectively, net of MCO premium tax of $0 for the years ended June 30, 2024 and 2023.

Beginning with the July 1, 2017 rating period, CDHCS implemented managed care Directed Payments: 1) Private Hospital Directed Payment (PHDP), 2) Designated Public Hospital Enhanced Payment Program (EPP), and 3) Designated Public Hospital Quality Incentive Pool (QIP). (1) For PHDP, CDHCS will direct Managed Care Plans (MCP) to reimburse private hospitals as defined in the Welfare and Institutions Code 14169.51, based on actual utilization of contracted services. The enhanced payment is contingent upon hospitals providing adequate access to service, including primary, specialty, and inpatient (both tertiary and quaternary) care. The total funding available for the enhanced contracted payments are limited to a predetermined amount (pool). (2) For EPP Pools, CDHCS has directed MCPs to reimburse California's 21 Designated Public Hospitals (DPHs) and University of California systems for network contracted services, enhanced by either a uniform percentage or dollar increment based on actual utilization of network contracted services. (3) For QIP DPH and QIP District and Municipal Public Hospital (DMPH), CDHCS has directed the MCPs to make QIP payments tied to performance on designated performance metrics in four strategic categories: primary care, specialty care, inpatient care, and resource utilization. The payments are linked to the delivery of services under the MCP contracts and increase the amount of funding tied to quality outcomes. To receive QIP payments, the DPHs must achieve specified improvement targets, which grow more difficult through year-over-year improvement or sustained high-performance requirements. Alameda Alliance for Health received QIP DPH and QIP DMPH directed payments of $0 and $59,646,684 for the years ended June 30, 2024 and 2023, respectively.

Impact of COVID-19 – The State of California's declaration of a Public Health Emergency paused the normal Medi-Cal disenrollment process. For three consecutive years, from the last quarter of fiscal year ended June 30, 2020 to the last quarter of fiscal year ended June 30, 2023, Alameda Alliance for Health saw a temporary significant increase in enrollment. The Public Health Emergency ended in May 2023.

California launched a multi-year initiative called California Advancing and Innovating Medi-Cal (CalAIM) to improve the quality of life and health outcomes of the Medi-Cal population by implementing broad delivery system and program and payment reform across the Medi-Cal program. CalAIM took effect on January 1, 2022. This major initiative has brought Alameda Alliance for Health new funding and caused increased expenses. The net impact of this funding and increased expense is $13,704,184 and $42,955,563 for the years ended June 30, 2024 and 2023, respectively.

Starting January 1, 2024, Alameda Alliance for Health has become the single plan of Alameda County, following the exit of the commercial plan from the County of Alameda market. Enrollment in Alameda Alliance for Health has increased as a result of this transition. Additionally, Long Term Care benefits for Medi-Cal members have transitioned from the State to the Managed Care Plan starting January 1, 2024, which has caused significant increase in medical expense to Alameda Alliance for Health.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting – Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, Alameda Alliance for Health's proprietary fund accounting and financial reporting practices are based on all applicable GASB pronouncements as well as codified pronouncements issued on or before November 30, 1989, and the California Code of Regulations, Title 2, Section 1131, State Controller's *Minimum Audit Requirements* for California Special Districts and the State Controller's Office prescribed reporting guidelines.

Proprietary fund accounting – Alameda Alliance for Health utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis and the financial statements are prepared using the economic resources measurement focus.

Use of estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Claims payable, useful lives of fixed assets, discount rate of premiums receivable, fair value of investments, discount rate, useful lives, and lease terms of leases and subscription assets, and net pension asset/liability represent significant estimates. Actual results could differ from those estimates.

Cash and cash equivalents – Alameda Alliance for Health considers all highly-liquid instruments with a maturity of three months or less at the time of purchase to be cash and cash equivalents. Cash and cash equivalents are carried at cost, which approximates fair value. At June 30, 2024 and 2023, Alameda Alliance for Health's cash deposits had cash and cash equivalents balances reflected in the balance sheet of $9,210,195 and $35,220,849, respectively, and bank balances of $9,215,673 and $49,435,537, respectively. Of the bank balances at June 30, 2024 and 2023, $8,926,275 and $49,029,341, respectively, were not covered by federal depository insurance.

Investments – Alameda Alliance for Health adopted GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72), effective July 1, 2016. GASB 72 requires Alameda Alliance for Health to use valuation techniques that are appropriate under the circumstances and are consistent with the market approach, the cost approach, or the income approach. GASB 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs.

Other receivables – Other receivables includes interest receivable, certain incentive receivables, and pass-through program receivables. Incentive amounts and pass-through program amounts are also recorded as a liability in payable to other governmental agencies, hospital fee, and direct payments payables on the statements of net position.

Concentration of credit risk – Alameda Alliance for Health is highly dependent upon the State of California for its revenues. The vast majority of accounts receivable and revenue are from the State of California. Loss of the contracts with the State of California due to nonrenewal or legislative decisions that impact program funding or result in discontinuation could materially affect the financial position of Alameda Alliance for Health.

As of June 30, 2024 and 2023, Alameda Alliance for Health had premiums receivable of $219,703,431 and $148,645,937, respectively, due from the State of California. For the years ended June 30, 2024 and 2023, Alameda Alliance for Health recognized capitation and premium revenue of $2,323,117,188 and $1,483,904,606, respectively, from the State of California.

Restricted cash – Alameda Alliance for Health is required by the California Department of Managed Health Care to restrict cash having a fair value of at least $300,000 for the payment of member claims in the event of its insolvency. The amounts recorded were $350,000 at June 30, 2024 and 2023. Restricted cash is comprised of U.S. Treasury securities and is stated at fair value.

Capital assets – Capital assets include land, building and improvements, furniture and equipment, and computer hardware and software. Capital assets are recorded at cost. Depreciation and amortization of building and improvements, furniture and equipment, computer hardware, and computer software is calculated using the straight-line method over 3 to 40 years, which approximates the estimated useful lives of the assets. Alameda Alliance for Health capitalizes capital expenditures over $20,000 that will have a useful life of three or more years.

Alameda Alliance for Health evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Impairment losses on capital assets are measured using the method that best reflects the diminished service utility of the capital asset.

Lease assets – Alameda Alliance for Health has recorded lease assets as a result of implementing GASB Statement No. 87, *Leases* (GASB 87). The lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The lease assets are amortized on a straight-line basis over the life of the related lease.

Lease liabilities – Alameda Alliance for Health recognizes lease contracts or equivalents that have a term exceeding one year that meet the definition of an other than short-term lease. Alameda Alliance for Health uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using Alameda Alliance for Health's incremental borrowing rate at start of the lease for a similar asset type and term length to the contract. Short-term lease payments are expensed when incurred.

The following is a summary of changes in lease liabilities, net for the years ended June 30, 2024 and 2023:

	Beginning Balance	Increase	Decrease	Ending Balance	Current Portion
2024	$ 1,634,048	$ 153,925	$ 936,061	$ 851,912	$ 773,312

	Beginning Balance	Increase	Decrease	Ending Balance	Current Portion
2023	$ 2,633,053	$ -	$ 999,005	$ 1,634,048	$ 818,032

Subscription assets – Alameda Alliance for Health has recorded subscription assets as a result of implementing GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). The subscription assets are initially measured at an amount equal to the initial measurement of the related subscription liability plus any contract payments made to the subscription-based information technology arrangement (SBITA) vendor at the commencement of the subscription term, capitalizable initial implementation cost, less any incentive payments received from the SBITA vendor at the commencement of the subscription term. The subscription assets are amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying assets.

Subscription liabilities – Alameda Alliance for Health entered into various agreements for information technology (IT) subscriptions. These agreements range in terms up to year 2026. In fiscal year 2024 and 2023, the total subscription payments were $2,449,014 and $2,803,926, respectively. Variable payments based upon the use of the underlying IT asset are not fixed in substance, therefore, these payments are not included in subscription assets or subscription liabilities. There were no variable subscription expenses and payments in fiscal years ended June 30, 2024 or 2023. Alameda Alliance for Health is in the process of entering into additional subscription agreements that have yet to commence as of June 30, 2024.

Alameda Alliance for Health recognizes contracts or equivalents that have a term exceeding one year with cumulative future payments on the contract exceeding $20,000 per year that meet the definition of an other than short-term lease. Alameda Alliance for Health uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the Alameda Alliance for Health's incremental borrowing rate at start of the lease for a similar asset type and term length to the contract. Short-term lease payments are expensed when incurred.

The following is a summary of changes in subscription liabilities, net for the years ended June 30, 2024 and 2023:

	Beginning Balance	Increase	Decrease	Ending Balance	Current Portion
2024	$ 4,302,666	$ 1,070,209	$ 1,907,575	$ 3,465,300	$ 2,547,434

	Beginning Balance	Increase	Decrease	Ending Balance	Current Portion
2023	$ 3,356,557	$ 3,769,419	$ 2,823,310	$ 4,302,666	$ 2,022,336

Net position – Net position is classified as invested in capital assets, restricted or unrestricted. Invested in capital assets represents investments in land, building and improvements, furniture and equipment, computer hardware, and computer software, net of depreciation and amortization. Restricted net position is for specific operating activities and represents the total cash balances that are restricted in their use as they represent monies received that must only be utilized for a specified purpose. It also pertains to external constraints placed on net position by law. Unrestricted net position consists of net position that does not meet the definition of restricted or invested in capital assets.

Capitation and premium revenue – Capitation and premium revenue includes amounts received from the CDHCS for Medi-Cal members and from Alameda County for In-Home Supportive Services (IHSS) home care workers.

Capitation and premium revenue is recorded as revenue in the month for which enrollees are entitled to health care services. Medi-Cal eligibility of enrollees is determined by Alameda County Social Services Agency and validated by the State of California. The State of California provides Alameda Alliance for Health the validated monthly eligibility file of program enrollees who are continuing, newly added, or terminated from the program in support of capitation revenue for the respective month. A portion of revenues received from the CDHCS is subject to possible retroactive adjustments. Management has made provisions for estimated retroactive adjustments. IHSS eligibility of enrollees is determined by Alameda County Public Authority (Public Authority). The Public Authority provides Alameda Alliance for Health the validated monthly eligibility file of program enrollees who are continuing, newly added, or terminated from the IHSS program. Once Alameda Alliance for Health receives current-month enrollment data, Alameda Alliance for Health issues an invoice to Alameda County Social Services for monthly premium revenue.

Effective with the enrollment of the Adult Expansion population per the Affordable Care Act on January 1, 2014, Alameda Alliance for Health is subject to CDHCS requirements to meet a minimum 85% medical loss ratio (MLR) for this population. Specifically, Alameda Alliance for Health will be required to expend at least 85% of the Medi-Cal capitation revenue received for this population on allowable medical expenses as defined by CDHCS. In the event Alameda Alliance for Health expends less than the 85% requirement, Alameda Alliance for Health will be required to return to CDHCS the difference between the minimum threshold and the actual allowed medical expenses. At June 30, 2024 and 2023, the accrued payable back to CDHCS, which is included in payable to other governmental agencies, hospital fee, and directed payments payables in the accompanying statements of net position, was $0.

Premium deficiencies – Alameda Alliance for Health performs periodic analyses of its expected future medical expenses and maintenance costs to determine whether such costs will exceed anticipated future revenues under its contracts. Should expected costs exceed anticipated revenues, a premium deficiency reserve is recorded. Management determined that no premium deficiency reserves were needed at June 30, 2024 and 2023.

Health care expense recognition and claims payable – The cost of health care services is recognized in the period provided and includes an estimate of the cost of services that have been incurred but not yet reported. The estimate for reserves for claims is based on actuarial projections of hospital and other costs using historical analysis of claims paid and authorization and admission data. Estimates are monitored and reviewed and, as settlements are made or estimates adjusted, differences are reflected in current operations. Such estimates are subject to the impact of changes in the regulatory environment and economic conditions.

Operating revenues and expenses – Alameda Alliance for Health's statements of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. The primary operating revenue is derived from capitation and other sources in support of providing health care services to its members. Operating expenses are all expenses incurred to provide such health care services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing activities, net of interest income, and from contributions received for purposes other than capital asset acquisition.

Insurance coverage – Alameda Alliance for Health maintains its general liability insurance coverage through outside insurers in the form of “claims-made” policies. Should the “claims-made” policies not be renewed or replaced with equivalent insurance, claims related to the occurrences during the terms of the “claims-made” policies but reported subsequent to the termination of the insurance contract may be uninsured. These policies were renewed subsequent to year end. Physicians and hospitals that Alameda Alliance for Health contract with are required to maintain their own malpractice insurance coverage.

Income taxes – Alameda Alliance for Health is a public entity established pursuant to Section 14087.54 of the Code and is further subject to the provisions of Ordinance No. 0-94-13 and related resolutions of the Board of Supervisors of the County. As a public entity defined by Internal Revenue Code Section 115, Alameda Alliance for Health is exempt from federal and state income taxes.

New accounting pronouncements – In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62* (GASB 100). GASB 100 enhances accounting and financial reporting requirements for accounting changes and error corrections. It defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity. GASB 100 requires that (1) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (2) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (3) changes in accounting estimates be reported prospectively by recognizing the change in the current period. GASB 100 is effective for fiscal years beginning after June 15, 2023. Alameda Alliance for Health adopted GASB 100 on July 1, 2023. The adoption of GASB 100 had no material impact to the financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences* (GASB 101). GASB 101 updates the recognition and measurement guidance for compensated absences. GASB 101 requires that liabilities for compensated absences be recognized for (1) leave that has not been used, and (2) leave that has been used but not yet paid, provided the services have occurred, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or noncash means. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government entity should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. GASB 101 amends the existing requirements to disclose only the net change in the liability instead of the gross additions and deductions to the liability. GASB 101 is effective for fiscal years beginning after December 15, 2023. Alameda Alliance for Health is currently evaluating the impact of the adoption of GASB 101 on its financial statements.

Reclassifications – Certain reclassifications of prior years’ balances have been made to conform with the current year presentations. Such reclassifications did not affect the total increase in net position or total assets or liabilities.

Note 3 – Investments

At June 30, 2024 and 2023, Alameda Alliance for Health's investments consisted of commercial paper, certificate of deposits, U.S. government agency bonds, corporate and foreign bonds, and money market funds.

Interest rate risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Alameda Alliance for Health manages risk of market value fluctuations due to overall changes in the general level of interest rates by complying with California Government Code Section 53600.5. As of June 30, 2024 and 2023, most of Alameda Alliance for Health's investments have maturities of less than one year.

Credit risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. The following are the credit ratings for each investment type at June 30, 2024:

Description	Fair value	Unrated	AAA	AA+	AA	AA-	A+	A	A-
Investments in									
Commercial paper	$ 146,144,906	$ 69,269,906	$ 76,875,000	$ -	$ -	$ -	$ -	$ -	$ -
Certificate of deposits	91,427,616	91,427,616	-	-	-	-	-	-	-
U.S. government agency bonds	342,817,758	342,817,758	-	-	-	-	-	-	-
Corporate and foreign bonds	91,721,003	-	13,372,183	2,353,078	2,340,600	-	2,374,834	49,443,393	21,836,915
Money market funds	7,978,912	7,978,912	-	-	-	-	-	-	-
Total investments	$ 680,090,195	$ 511,494,192	$ 90,247,183	$ 2,353,078	$ 2,340,600	$ -	$ 2,374,834	$ 49,443,393	$ 21,836,915

The following are the credit ratings for each investment type at June 30 2023:

Description	Fair value	Unrated	AAA	AA+	AA	AA-	A+	A	A-
Investments in									
Commercial paper	$ 130,194,877	$ 63,244,877	$ 66,950,000	$ -	$ -	$ -	$ -	$ -	$ -
Certificate of deposits	123,325,693	123,325,693	-	-	-	-	-	-	-
U.S. government agency bonds	53,971,000	53,971,000	-	-	-	-	-	-	-
Corporate and foreign bonds	63,190,705	-	6,929,621	4,550,421	10,893,111	2,242,261	6,997,992	9,387,184	22,190,115
Money market funds	67,042,827	-	67,042,827	-	-	-	-	-	-
Total investments	$ 437,725,102	$ 240,541,570	$ 140,922,448	$ 4,550,421	$ 10,893,111	$ 2,242,261	$ 6,997,992	$ 9,387,184	$ 22,190,115

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Alameda Alliance for Health's investments as a percentage of its portfolio at June 30, 2024, were as follows:

Investment	Issuer	Percentage of Portfolio
Commercial paper	Various	22 %
Certificate of deposits	Various	13
U.S. government agency bonds	Various	50
Corporate and foreign bonds	Various	14
Money market funds	Various	1
		100 %

Alameda Alliance for Health's investments as a percentage of its portfolio at June 30 2023, were as follows:

Investment	Issuer	Percentage of Portfolio
Commercial paper	Various	30 %
Certificate of deposits	Various	28
U.S. government agency bonds	Various	12
Corporate and foreign bonds	Various	15
Money market funds	Various	15
		100 %

Note 4 – Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following tables present fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis at June 30, 2024 and 2023:

Description	Level 1	Level 2	Level 3	2024
Investments in				
U.S. government agency bonds	$ -	$ 342,817,758	$ -	$ 342,817,758
Corporate and foreign bonds	-	91,721,003	-	91,721,003
Total investments subject to fair value hierarchy	$ -	$ 434,538,761	$ -	434,538,761
Investments and restricted cash not subject to fair value hierarchy				
Commercial paper				146,144,906
Certificate of deposits				91,777,616
Money market funds				7,978,912
Total investments and restricted cash				$ 680,440,195

Description	Level 1	Level 2	Level 3	2023
Investments in				
U.S. government agency bonds	$ -	$ 53,971,000	$ -	$ 53,971,000
Corporate and foreign bonds	-	63,190,705	-	63,190,705
Total investments subject to fair value hierarchy	$ -	$ 117,161,705	$ -	117,161,705
Investments and restricted cash not subject to fair value hierarchy				
Commercial paper				130,194,877
Certificate of deposits				123,675,693
Money market funds				67,042,827
Total investments and restricted cash				$ 438,075,102

Note 5 – Capital Assets

Capital asset additions, retirements, and balances for the years ended June 30, 2024 and 2023, were as follows:

	Balance July 1, 2023	Increases	Decreases	Transfers	Balance June 30, 2024
Capital assets					
Land	$ 1,557,283	$ -	$ -	$ -	$ 1,557,283
Building and improvements	9,458,735	53,694	-	(324,617)	9,187,812
Furniture and equipment	1,692,672	3,860	-	(3,860)	1,692,672
Computer hardware	6,242,112	1,101,842	-	(387,427)	6,956,527
Computer software	18,744,294	-	-	(28,099)	18,716,195
Total capital assets	37,695,096	1,159,396	-	(744,003)	38,110,489
Less accumulated depreciation and amortization for					
Building and improvements	(6,530,306)	(397,130)	-	324,617	(6,602,819)
Furniture and equipment	(1,692,674)	(3,860)	-	3,860	(1,692,674)
Computer hardware	(5,536,899)	(501,515)	-	387,427	(5,650,987)
Computer software	(18,717,246)	(27,048)	-	28,099	(18,716,195)
Total accumulated depreciation and amortization	(32,477,125)	(929,553)	-	744,003	(32,662,675)
Net capital assets	$ 5,217,971	$ 229,843	$ -	$ -	$ 5,447,814

	Balance July 1, 2022	Increases	Decreases	Transfers	Balance June 30, 2023
Capital assets					
Land	$ 1,557,283	$ -	$ -	$ -	$ 1,557,283
Building and improvements	9,434,743	23,992	-	-	9,458,735
Furniture and equipment	1,692,672	-	-	-	1,692,672
Computer hardware	5,955,356	286,756	-	-	6,242,112
Computer software	18,716,195	28,099	-	-	18,744,294
Total capital assets	37,356,249	338,847	-	-	37,695,096
Less accumulated depreciation and amortization for					
Building and improvements	(6,170,489)	(359,817)	-	-	(6,530,306)
Furniture and equipment	(1,691,235)	(1,439)	-	-	(1,692,674)
Computer hardware	(5,140,284)	(396,615)	-	-	(5,536,899)
Computer software	(18,681,011)	(36,235)	-	-	(18,717,246)
Total accumulated depreciation and amortization	(31,683,019)	(794,106)	-	-	(32,477,125)
Net capital assets	$ 5,673,230	$ (455,259)	$ -	$ -	$ 5,217,971

For the years ended June 30, 2024 and 2023, Alameda Alliance for Health recognized $929,553 and $794,106, respectively, in depreciation and amortization expense.

Note 6 – Claims Payable

Alameda Alliance for Health estimates claims payable based on historical claims payment and other relevant information. Estimates are monitored and reviewed, and as settlements are made or estimates are adjusted, differences are reflected in current operations. Such estimates are subject to impact of changes in the regulatory environment. The following is a reconciliation of the claims payable liability for the years ended June 30, 2024 and 2023:

	2024	2023
Balance, July 1	$ 203,204,326	$ 132,693,097
Incurred - current	1,500,661,589	1,028,604,522
Paid		
Current	(1,179,583,918)	(847,363,184)
Prior	(179,646,663)	(110,730,109)
Balance, June 30	$ 344,635,334	$ 203,204,326

As noted in the table above, $1,500,661,589 and $1,028,604,522 in medical claims were incurred for the years ended June 30, 2024 and 2023, respectively, which are reflected in medical services in the statements of revenues, expenses, and changes in net position.

Claims payable liability increased by $129,244,854 in comparison to the previous year as a result of increased volume in fee for service claims due to increased enrollment and the transition to single plan of Alameda County. Management believes the decrease in current year paid claims related to prior year compared to estimated prior year’s claims experience is largely a result of lower-than-anticipated adverse healthcare claims experience.

Note 7 – Leases

Alameda Alliance for Health is a lessee for noncancelable lease of office space and equipment with lease terms through 2027. There are no residual value guarantees included in the measurement of Alameda Alliance for Health’s lease liability nor recognized as an expense for the years ended June 30, 2023 and 2022. Alameda Alliance for Health does not have any commitments that were incurred at the commencement of the leases. Alameda Alliance for Health is not subject to variable payments. No termination penalties were incurred for the years ended June 30, 2024 and 2023.

Alameda Alliance for Health has the following lease assets activities for the years ended June 30, 2024 and 2023:

	Balance July 1, 2023	Increase	Decrease	Balance June 30, 2024
Lease assets				
Office space	$ 3,695,670	$ -	$ -	$ 3,695,670
Equipment	-	157,200	-	157,200
Total lease assets	3,695,670	157,200	-	3,852,870
Less accumulated amortization				
Office space	2,254,985	751,662	-	3,006,647
Equipment	-	39,300	-	39,300
Total accumulated amortization	2,254,985	790,962	-	3,045,947
Net lease assets	$ 1,440,685	$ (633,762)	$ -	$ 806,923

	Balance July 1, 2022	Increase	Decrease	Balance June 30, 2023
Lease assets				
Office space	$ 3,695,670	$ -	$ -	$ 3,695,670
Equipment	329,351	-	329,351	-
Total lease assets	4,025,021	-	329,351	3,695,670
Less accumulated amortization				
Office space	1,503,324	751,661	-	2,254,985
Equipment	82,584	51,554	134,138	-
Total accumulated amortization	1,585,908	803,215	134,138	2,254,985
Net lease assets	$ 2,439,113	$ (803,215)	$ 195,213	$ 1,440,685

For the years ended June 30, 2024 and 2023, Alameda Alliance for Health recognized $790,962 and $803,215, respectively, in amortization expense.

The future principal and interest lease payments as of June 30, 2024, were as follows:

Years Ending June 30,	Principal	Interest	Total
2025	$ 773,312	$ 24,062	$ 797,374
2026	39,300	-	39,300
2027	39,300	-	39,300
	$ 851,912	$ 24,062	$ 875,974

Alameda Alliance for Health evaluated the lease assets for impairment and determined there was no impairment for the years ended June 30, 2024 and 2023.

Note 8 – Subscription Based Information Technology Arrangements

Alameda Alliance for Health has the following subscription assets activities for the years ended June 30, 2024 and 2023:

	Balance July 1, 2023	Increase	Decrease	Balance June 30, 2024
Subscription assets	$ 7,858,347	$ 1,611,648	$ 635,566	$ 8,834,429
Less accumulated amortization	2,797,347	2,583,188	635,566	4,744,969
Subscription assets, net	$ 5,061,000	$ (971,540)	$ -	$ 4,089,460

	Balance July 1, 2022	Increase	Decrease	Balance June 30, 2023
Subscription assets	$ 4,671,831	$ 3,750,035	$ 563,519	$ 7,858,347
Less accumulated amortization	1,320,166	2,040,700	563,519	2,797,347
Subscription assets, net	$ 3,351,665	$ 1,709,335	$ -	$ 5,061,000

For the years ended June 30, 2024 and 2023, Alameda Alliance for Health recognized $2,583,188 and $2,040,700, respectively, in amortization expense.

The future principal and interest subscription payments as of June 30, 2024, were as follows:

Years Ending June 30,	Principal	Interest	Total
2025	$ 2,547,434	$ 124,032	$ 2,671,466
2026	917,866	28,504	946,370
	$ 3,465,300	$ 152,536	$ 3,617,836

Alameda Alliance for Health evaluated the subscription assets for impairment and determined there was no impairment for the years ended June 30, 2024 and 2023

Note 9 – Medical Reinsurance (Stop-Loss Insurance)

Alameda Alliance for Health has entered into certain reinsurance (stop-loss) agreements with third parties in order to limit its losses on individual claims. Under the terms of these agreements, the third parties will reimburse Alameda Alliance for Health certain proportions of the cost of each member's hospital, professional, and out-of-area services, excluding those that are capitated, in excess of specified deductibles ranging from $600,000 per contract, up to a maximum of $5,000,000 per member per contract year. Reinsurance premiums are recorded as other health care expenses and recoveries are recorded as a reduction of these expenses. Stop-loss recoveries exceeded premiums by $1,602,160 in 2024 and stop-loss premiums exceeded recoveries by $189,748 in 2023.

Note 10 – Employee Benefit Plans

Pension Plan

Alameda Alliance for Health has a defined contribution employee benefit plan (the Plan). The Plan is named the Alameda Alliance for Health Money Purchase Pension Plan and is administered by Alameda Alliance for Health. The Board of Governors has the authority to establish and amend benefit provisions and contribution requirements. All employees who have met certain service requirements are eligible to participate. During the years ended June 30, 2024 and 2023, Alameda Alliance for Health contributed 5% of each eligible employee's gross compensation to certain investment vehicles chosen by the employee. Contributions are subject to limitations on annual compensation and annual contributions per Internal Revenue Code Section 401(a)(17). Contributions to the Plan are made by Alameda Alliance for Health at the discretion of the Board of Governors. Employees do not contribute to this Plan. Employees become vested with respect to Alameda Alliance for Health's contributions ratably over five years.

CalPERS Plan

Plan description – Effective January 1, 1999, Alameda Alliance for Health joined the California Public Employees Retirement System (CalPERS), an agent multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute. Copies of the CalPERS annual financial report may be obtained from its Executive Office: 400 Q Street, Sacramento, California 95811.

Benefits provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one full year of full-time employment. Members with five years of total service are eligible to retire at age 50 or age 52 depending on benefit level with statutorily reduced benefits. All members are eligible for nonduty disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS plan provisions and benefits in effect at June 30, 2024 and 2023, are summarized as follows:

	Hire Date Prior to January 1, 2013	Hire Date on or After January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 to 67	52 to 67
Monthly benefits as a % of eligible compensation	1.1% to 3.1%	1.0% to 2.6%
Required employee contribution rates	7.0%	7.5%
Required employer contribution rates	8.59% (2024); 7.55% (2023)	8.59% (2024); 7.55% (2023)

Employees covered – At June 30, 2024 and 2023, the following employees were covered by the CalPERS plan:

	2024	2023
Active	473	369
Terminated	407	393
Transferred	55	50
Retired and beneficiaries	51	44
Total participants	986	856

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Net pension liability – Alameda Alliance for Health's net pension liability for the CalPERS plan is measured as the total pension liability, less the pension's fiduciary net position. The net pension liability at June 30, 2024, is measured as of June 30, 2023, using an annual actuarial valuation as of June 30, 2022, rolled forward to June 30, 2023, using standard update procedures. The net pension liability at June 30, 2023, is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension asset/liability is shown below.

The total pension liability in the June 30, 2024, actuarial valuations were determined using the following actuarial assumptions:

Valuation date	June 30, 2022
Measurement date	June 30, 2023
Actuarial cost method	Entry age actuarial cost method
Actuarial assumptions	
Discount rate	6.90%
Inflation	2.50%
Salary increases	Varies by entry age and service
Payroll growth	2.75%
Investment rate of return	7.00% net of pension plan investment and administrative expenses; includes inflation
Mortality rate table	Derived using CalPERS' membership data for all funds
Post-retirement benefit increase	The lesser of contract COLA or 2.30% until purchasing power protection allowance floor on purchasing power applies; 2.30% thereafter

The total pension liability in the June 30, 2023, actuarial valuations were determined using the following actuarial assumptions:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Actuarial cost method	Entry age actuarial cost method
Actuarial assumptions	
Discount rate	6.90%
Inflation	2.50%
Salary increases	Varies by entry age and service
Payroll growth	2.80%
Investment rate of return	7.00% net of pension plan investment and administrative expenses; includes inflation
Mortality rate table	Derived using CalPERS' membership data for all funds
Post-retirement benefit increase	The lesser of contract COLA or 2.30% until purchasing power protection allowance floor on purchasing power applies; 2.30% thereafter

The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. All other actuarial assumptions used in the 2016 and 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality, and retirement rates. The Experience Study can be obtained at the CalPERS website.

Change of assumptions – GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), paragraph 68 states that the long-term rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. For the June 30, 2023 and 2022, measurement date, there were changes in demographic assumptions and inflation rate.

Discount rate – The discount rate used to measure the total pension liability at June 30, 2024 and 2023 was 6.90% for the CalPERS plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress-tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans would run out of assets. Therefore, the current 6.90% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 6.90% will be applied to all plans in the Public Employees Retirement Fund. The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress-test results are presented in a detailed report called “GASB Crossover Testing Report”, which can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make the required contributions as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11 to 60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one-quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Current Target Allocation	Real Return [1, 2]
Global equity - cap-weighted	30.00%	4.54%
Global equity - noncap-weighted	12.00	3.84
Private equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed securities	5.00	0.50
Investment grade corporates	10.00	1.56
High yield	5.00	2.27
Emerging market debt	5.00	2.48
Private debt	5.00	3.57
Real assets	15.00	3.21
Leverage	(5.00)	(0.59)

[1] An expected inflation rate of 2.30% was used for this period.
[2] Figures are based on the 2021 Asset Liability Management study.

The changes in the net pension liability for the years ended June 30, 2024 and 2023 were as follows:

	June 30, 2024		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2023	$ 70,754,901	$ 65,468,453	$ 5,286,448
Changes during the year			
Service cost	5,771,401	-	5,771,401
Interest on the total pension liability	5,092,517	-	5,092,517
Changes of benefit terms	61,687	-	61,687
Differences between expected and actual experience	674,755	-	674,755
Contributions - employer	-	3,449,282	(3,449,282)
Contributions - employees	-	3,215,773	(3,215,773)
Net investment income	-	4,125,765	(4,125,765)
Benefit payments, including refunds of employee contributions	(1,144,862)	(1,144,862)	-
Administrative expense	-	(48,144)	48,144
Net change in total pension liability	10,455,498	9,597,814	857,684
Balance at June 30, 2024	$ 81,210,399	$ 75,066,267	$ 6,144,132

	June 30, 2023		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
Balance at June 30, 2022	$ 59,367,996	$ 66,298,699	$ (6,930,703)
Changes during the year			
Service cost	5,155,510	-	5,155,510
Interest on the total pension liability	4,436,588	-	4,436,588
Changes of assumptions	2,979,110	-	2,979,110
Differences between expected and actual experience	(68,674)	-	(68,674)
Contributions - employer	-	2,891,418	(2,891,418)
Contributions - employees	-	2,555,143	(2,555,143)
Net investment income	-	(5,119,878)	5,119,878
Benefit payments, including refunds of employee contributions	(1,115,629)	(1,115,629)	-
Administrative expense	-	(41,300)	41,300
Net change in total pension liability	11,386,905	(830,246)	12,217,151
Balance at June 30, 2023	$ 70,754,901	$ 65,468,453	$ 5,286,448

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate – The following presents the net pension liability for the CalPERS plan as of June 30, 2024 and 2023, calculated using the discount rate, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	June 30, 2024		
	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Net pension liability (asset)	$ 20,111,337	$ 6,144,132	$ (5,056,416)

	June 30, 2023		
	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Net pension liability (asset)	$ 17,520,967	$ 5,286,448	$ (4,512,722)

Pension plan fiduciary net position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Pension expense and deferred outflows/inflows of resources related to pensions – For the year ended June 30, 2024, Alameda Alliance for Health recognized pension expense of $4,570,026, included in marketing, general, and administrative expenses. At June 30, 2024, Alameda Alliance for Health reported deferred outflows of resources and deferred inflows of resources related to the CalPERS plan from the following sources:

Deferred outflows of resources as of June 30, 2024	
Changes of assumptions	$ 1,810,832
Differences between expected and actual experience	542,450
Net difference between projected and actual earnings on pension plan investments	3,350,347
Total	$ 5,703,629
Deferred inflows of resources as of June 30, 2024	
Changes of assumptions	$ (109,887)
Differences between expected and actual experience	-
Total	$ (109,887)
Contributions between the measurement date and fiscal year end recognized as deferred outflows of resources	$ 5,398,260

For the year ended June 30 2023, Alameda Alliance for Health recognized pension expense of $3,518,688 included in marketing, general, and administrative expenses. At June 30 2023, Alameda Alliance for Health reported deferred outflows of resources and deferred inflows of resources related to the CalPERS plan from the following sources:

Deferred outflows of resources as of June 30, 2023	
Changes of assumptions	$ 2,394,971
Differences between expected and actual experience	144,605
Net difference between projected and actual earnings on pension plan investments	3,495,747
Total	$ 6,035,323
Deferred inflows of resources as of June 30, 2023	
Changes of assumptions	$ (7,568)
Net difference between projected and actual earnings on pension plan investments	(170,953)
Total	$ (178,521)
Contributions between the measurement date and fiscal year end recognized as deferred outflows of resources	$ 3,237,269

Alameda Alliance for Health reported $5,398,260 and $3,237,269 as deferred outflows of resources related to contributions made subsequent to the measurement date for the years ended June 30, 2024 and 2023, respectively. This amount is recognized as a reduction/increase of net pension liability for the measurement period ended June 30, 2023 and 2022, respectively. Other amounts reported as deferred outflows and deferred inflows of resources related to the CalPERS plan will be recognized in future pension expense as follows:

Year Ending June 30,	
2025	$ 1,331,578
2026	$ 1,155,953
2027	$ 2,787,544
2028	$ 305,438
2029	$ 13,230

At June 30, 2024 and 2023, Alameda Alliance for Health had no outstanding amount of contributions to the pension plan required for the years ended June 30, 2024 and 2023.

Deferred compensation plan – Alameda Alliance for Health offers its employees a deferred compensation plan with Voya Financial created in accordance with Internal Revenue Code Section 457. The deferred compensation plan is available to all employees and permits them to defer a portion of their salary. No employer contribution to the plan is required. Deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

Note 11 – Tangible Net Equity

As a limited license plan under the Knox-Keene Health Care Services Plan Act of 1975, Alameda Alliance for Health is required to maintain a minimum level of tangible net equity and working capital. The required tangible net equity is $63,353,895 and $42,723,743 at June 30, 2024 and 2023, respectively. The tangible net equity of Alameda Alliance for Health is $255,375,137 and $323,957,041 at June 30, 2024 and 2023, respectively. At June 30, 2024 and 2023, management believes Alameda Alliance for Health was in compliance with their tangible net equity regulatory requirement.

Note 12 – Risk Management

Alameda Alliance for Health is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruptions; errors and omissions; employee injuries and illness; natural disasters; and employee health, dental, and accident benefits. Alameda Alliance for Health carries commercial insurance for claims arising from such matters and no settled claims have ever exceeded Alameda Alliance for Health's commercial coverage.

Note 13 – Commitments and Contingencies

Alameda Alliance for Health is aware of certain asserted and unasserted legal claims. While the outcome cannot be determined at this time after consultation with legal counsel, it is management's opinion that the liability, if any, from these actions will not have a material adverse effect on Alameda Alliance for Health's financial position or results of operations.

Note 14 – Health Care Reform

There are various proposals at the federal and state levels that could, among other things, significantly change member eligibility, payment rates, or benefits. The ultimate outcome of these proposals, including the potential effects of or changes to health care reform that will be enacted cannot presently be determined.

Supplementary Information

Alameda Alliance for Health

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Measurement period	2022-2023	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
Total pension liability										
Service cost	$ 5,771,401	$ 5,155,510	$ 4,185,392	$ 3,861,461	$ 3,625,677	$ 3,233,750	$ 2,936,812	$ 2,378,725	$ 2,192,498	$ 2,309,399
Interest on total pension liability	5,092,517	4,436,588	3,849,519	3,397,686	2,999,802	2,582,178	2,275,291	2,016,770	1,844,544	1,602,650
Changes of assumptions	61,687	2,979,110	-	-	-	(386,048)	2,212,057	-	(545,758)	-
Difference between expected and actual experience	674,755	(68,674)	(123,957)	(109,296)	713,029	102,040	(731,181)	(1,285,655)	(97,677)	-
Benefit payments, including refunds of employee contributions	(1,144,862)	(1,115,629)	(827,293)	(1,128,346)	(1,010,155)	(757,893)	(811,011)	(581,326)	(604,984)	(329,311)
Net change in total pension liability	10,455,498	11,386,905	7,083,661	6,021,505	6,328,353	4,774,027	5,881,968	2,528,514	2,788,623	3,582,738
Total pension liability beginning of fiscal year	70,754,901	59,367,996	52,284,335	46,262,830	39,934,477	35,160,450	29,278,482	26,749,968	23,961,345	20,378,607
Total pension liability end of fiscal year	$ 81,210,399	$ 70,754,901	$ 59,367,996	$ 52,284,335	$ 46,262,830	$ 39,934,477	$ 35,160,450	$ 29,278,482	$ 26,749,968	$ 23,961,345
Plan fiduciary net position										
Contributions - employer	$ 3,449,282	$ 2,891,418	$ 2,577,504	$ 2,110,925	$ 1,984,998	$ 1,854,342	$ 1,541,099	$ 1,252,041	$ 1,099,813	$ 1,179,808
Contributions - employee	3,215,773	2,555,143	2,177,896	1,912,291	1,741,232	1,583,972	1,373,631	1,157,507	1,054,870	1,134,768
Net investment income	4,125,765	(5,119,878)	11,801,998	2,358,305	2,700,240	2,987,504	3,330,394	153,646	571,106	3,579,174
Benefit payments, including refunds of employee contributions	(1,144,862)	(1,115,629)	(827,293)	(1,128,346)	(1,010,155)	(757,893)	(811,011)	(581,326)	(604,984)	(329,311)
Net plan to plan resource movement	-	-	-	-	-	(92)	-	-	-	-
Administrative expense	(48,144)	(41,300)	(50,565)	(64,045)	(28,575)	(53,808)	(43,022)	(16,561)	(30,578)	-
Other miscellaneous income (expense)	-	-	-	-	92	(102,182)	-	-	-	-
Net change in fiduciary net position	9,597,814	(830,246)	15,679,540	5,189,130	5,387,832	5,511,843	5,391,091	1,965,307	2,090,227	5,564,439
Plan fiduciary net position beginning of fiscal year	65,468,453	66,298,699	50,619,159	45,430,029	40,042,197	34,530,354	29,139,263	27,173,956	25,083,729	19,519,290
Plan fiduciary net position end of fiscal year	$ 75,066,267	$ 65,468,453	$ 66,298,699	$ 50,619,159	$ 45,430,029	$ 40,042,197	$ 34,530,354	$ 29,139,263	$ 27,173,956	$ 25,083,729
Plan net pension liability (asset)	$ 6,144,132	$ 5,286,448	$ (6,930,703)	$ 1,665,176	$ 832,801	$ (107,720)	$ 630,096	$ 139,219	$ (423,988)	$ (1,122,384)
Plan fiduciary net position as a percentage of the total pension liability	92.43%	92.53%	111.67%	96.82%	98.20%	100.27%	98.21%	99.52%	101.59%	104.68%
Covered employee payroll	$ 36,435,614	$ 32,942,554	$ 28,904,639	$ 26,466,489	$ 24,934,165	$ 22,106,576	$ 19,552,678	$ 17,110,667	$ 15,964,019	$ 15,942,279
Plan net pension liability (asset) as a percentage of covered payroll	16.86%	16.05%	-23.98%	6.29%	3.34%	-0.49%	3.22%	0.81%	-2.66%	7.04%

Alameda Alliance for Health
Schedule of Pension Contributions

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Measurement period	2022-2023	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
Actuarially determined contribution	$ 3,449,282	$ 2,891,418	$ 2,577,504	$ 2,110,925	$ 1,984,998	$ 1,854,342	$ 1,541,099	$ 1,252,041	$ 1,099,813	$ 1,179,808
Contributions in relation to the actuarially determined contribution	(3,449,282)	(2,891,418)	(2,577,504)	(2,110,925)	(1,984,998)	(1,854,342)	(1,541,099)	(1,252,041)	(1,099,813)	(1,179,808)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 36,435,614	$ 32,942,554	$ 28,904,639	$ 26,466,489	$ 24,934,165	$ 22,106,576	$ 19,552,678	$ 17,110,667	$ 15,964,019	$ 15,942,279
Contributions as a percentage of covered employee payroll	9.47%	8.78%	8.92%	7.98%	7.96%	8.39%	7.88%	7.32%	6.89%	7.40%

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Governors
Alameda Alliance for Health

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Alameda Alliance for Health, which comprise the statement of net position as of June 30, 2024, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Alameda Alliance for Health's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Alameda Alliance for Health's internal control. Accordingly, we do not express an opinion on the effectiveness of Alameda Alliance for Health's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alameda Alliance for Health's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

San Francisco, California
October 15, 2024

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