



BOARD OF SUPERVISORS

Supervisor Nate Miley, Chair, AHS Ad Hoc Committee
Supervisor Nikki Fortunato Bas, Vice Chair, AHS Ad Hoc Committee

June 22, 2026

Honorable Board of Supervisors
County of Alameda
1221 Oak Street, Suite 536
Oakland, CA 94612

SUBJECT: APPROVE AN ALLOCATION OF UP TO \$19.3 MILLION TO ALAMEDA HEALTH SYSTEM TO ELIMINATE THE PROPOSED REDUCTIONS IN FORCE, CONDUCT A PERFORMANCE AUDIT OF AHS, EXTEND THE PHP/IOP PROGRAM THROUGH OCTOBER 31, 2026, DIRECT STAFF TO CONVENE A PLANNING GROUP FOR THE PHP/IOP PROGRAM, AND EXTEND THE BOARD'S AHS AD HOC COMMITTEE

Dear Board Members:

RECOMMENDATION:

- A. Approve an allocation of up to \$19.3 million to Alameda Health System (AHS) to:
 - a. Eliminate the proposed reductions in force for the remaining 92 FTE's set for July 6, 2026, for the entire fiscal year 2026-27;
 - b. Conduct a performance audit of AHS by an outside firm that is mutually agreeable to AHS leadership and labor partners; and
 - c. Extend the PHP/IOP program through October 31, 2026;
- B. Direct the AC Health Director to convene a planning group with AHS leadership and key stakeholders to assess the feasibility of the PHP/IOP program and ensure that all patients continue to receive appropriate care;
- C. Extend the Board's AHS Ad Hoc Committee to continue its work to address future AHS budgets, support a collaborative and transparent process to create fiscal stability at AHS, and engage the entire health eco-system to support AHS;

- D. Support the 28 PHP/IOP staff, if the program is determined to be infeasible within AHS, to explore potential county employment, including vacant positions in AC Health or the Social Services Agency; and
- E. Direct the CAO to work with the Auditor-Controller and AC Health Director to identify funding options to provide a one-time supplemental allocation of up to \$19.3 million to AHS during fiscal year 2026-27 to help address its remaining fund gap by eliminating proposed reductions in force, funding a performance audit, and extending the PHP/IOP program through October 31, 2026.

DISCUSSION/SUMMARY:

Alameda Health System (AHS) is Alameda County's public healthcare system and the safety net healthcare provider. AHS operates 4 hospitals and 9 clinics including the only Level 1 Trauma Center in the East Bay at Wilma Chan Highland Hospital. AHS primarily serves low-income patients with over 90% of recipients on some form of subsidized care.

On November 19, 2025, the AHS Board of Trustees approved reductions in force of 372 employees in anticipation of H.R. 1 federal cuts. As a result, a Beilenson Hearing, mandated by state law and conferred by this Board, was held on February 25, 2026, and concluded on March 3, 2026, with robust public participation.

On March 3, 2026, this Board voted unanimously 5-0 to do the following:

1. Board concurs with AHS's direction to defer the March 9, 2026 layoffs and identify alternate (non-patient facing) positions for reduction/layoff to address its structural imbalance;
2. Board directs the CAO, Auditor and AC Health Interim Director to continue working with AHS Leadership to refine options to amend the Behavioral Health Contract Payments, adjust the Line of Credit with the County Treasury, and discuss alternate service models related to the IOP Program;
3. Board schedules a report back from AHS and the County at its March 17, 2026, regular meeting; and
4. The Board will designate an Ad Hoc Committee comprised of Supervisors Miley and Fortunato Bas. This Ad Hoc Committee will interface with AHS Leadership and Labor Representatives to review options to address AHS's financial imbalance for this and next fiscal year.

On March 10, 2026, this Board voted unanimously 5-0 to do the following:

1. Reaffirm this Board's March 3, 2026 approved motion at the conclusion of the Beilenson hearing;

2. Request that the AHS Board of Trustees defer through June 30, 2026, any program closures and all reductions in force, including all patient and non-patient facing positions, that were approved by the AHS Board of Trustees on November 19, 2025; and
3. Direct the CAO to work with AHS leadership to determine the fiscal impact of the deferments and return to the Board on March 17, 2026, for possible action.

Following the initial Board action on March 3, 2026, the CAO, Auditor-Controller, AC Health Director, and the AHS Ad Hoc Committee have addressed the following:

County Investment Overview

- Behavioral Health Withhold: The County agreed to reduce the AHS behavioral health funding withhold from 20% to 10%, retroactive to FY 2025–26. This is expected to provide approximately \$8 million in additional cash flow to AHS. The 10% withhold rate will continue moving forward.
- Net Negative Balance (NNB) Increase: The County agreed to:
 - Increase the annual NNB limit to \$100 million for FY 2026 and FY 2027.
 - Increase the intra-year maximum NNB from \$50 million to \$100 million for FY 2026 and FY 2027.

Revenue-Generating Strategies

AHS reviewed a variety of revenue-generating ideas proposed by staff and labor representatives.

- Alameda Alliance Rate Increases: Approximately 63% of AHS charges are billed to Medi-Cal, and Alameda Alliance is AHS's largest payer. Alameda Alliance agreed to increase reimbursement rates by an additional 1% in July 2026 and 1% in January 2027, beyond the annual rate adjustment. These increases are expected to generate approximately \$3.2 million in additional revenue for AHS in FY 2026–27.
- NICU Level II Expansion: AHS determined that establishing a Level III NICU is not financially feasible at this time due to low patient volume. Approximately 30 patients are annually transferred to Benioff Children's Hospital Oakland for specialty services, and existing NICU volumes are insufficient to support expansion.
- Cath Lab and Interventional Radiology Services Expansion: AHS reported that these programs are operating efficiently and can accommodate additional demand if needed.
- Billing Optimization and Revenue Cycle Improvements:
 - AHS established revenue cycle task forces to improve billing processes and reduce the time required to collect revenue.
 - An independent EPIC consultant met with staff on June 12 to answer questions around billing, collection, and work queues.
- Performance Improvement Initiatives: AHS leadership conducted discussions with department leadership and identified initiatives projected to generate cost savings and

additional revenue in the amount of \$28.5 million that is included in the FY 26/27 budget.

Cost-Saving Strategies

- Lease Consolidation: AHS looked into reducing lease costs for the SSE office and Harrison Street office. The SSE and Harrison leases expire in 2027 and cannot be terminated early without significant penalties. AHS will explore ways to reduce future lease expenses, such as co-locating staff in a single site and exploring County properties.
- Executive Bonus Policy: AHS confirmed that no executive bonuses were paid in FY 2025-26 and that no executive bonuses will be issued in FY 2026–27. AHS agreed to consider greater transparency regarding its executive bonus policy.

Alameda Health System (AHS) faces a \$100 million deficit for its fiscal year 2026-27 budget. They have identified \$28.5 million in efficiencies: revenue enhancements and non-labor savings, along with an additional \$35.6 million of reductions in force (known as RIFs or lay-offs). When AHS announced the RIFs in November 2025, they had planned to lay-off 372 employees. The current RIF list includes only 120 full-time equivalent employees, partly due to voluntary separations, early retirements, and vacant positions. AHS expects to utilize increased efficiencies, the NNB, and a possible state allocation to eliminate the remainder of the deficit.

Of the 120 RIFs remaining for fiscal year 2026-27, there are 28 positions in the PHP/IOP program. If those 28 positions are removed from the list, there are 92 RIFs remaining. This Board action would eliminate all 92 of those positions.

This Board action would fund a performance audit of AHS to ascertain additional operational savings and revenue enhancements. Currently, there is a dispute among AHS leadership and labor partners regarding the potential to recoup additional funds via the revenue cycle (billing, collections and work queues). It is vitally important that a neutral and expert third party, that is mutually agreed upon by AHS and labor, review the revenue cycle and all operational systems at AHS to maximize efficiencies and rebuild trust among all stakeholders.

This Board action would also extend the PHP/IOP program an additional four months through October 31, 2026. The AHS Partial Hospitalization Program (PHP) and Intensive Outpatient Program (IOP) provide community-based behavioral health treatment for individuals experiencing significant mental health challenges who require more support than traditional outpatient care but do not need inpatient hospitalization. AHS contends that the PHP/IOP program is not financially sustainable, and seeks to terminate the program.

The extended timeframe would allow for a feasibility study of the program and a plan to ensure that all patients continue to receive appropriate care. The AC Health Director will convene a

program review to conclude by September 30, 2026, with AHS leadership, PHP/IOP program managers and staff, and other relevant stakeholders to: assess the feasibility of continuing PHP/IOP services within AHS, and if continuation within AHS is not feasible:

- Determine where these services can be provided within the larger behavioral health system of care and identify gaps in capacity;
- Develop a patient transition plan that ensures continuity of care for current clients, including assessment of eligibility for County behavioral health services and coordination with other providers for individuals covered by commercial insurance or other payers; and
- Support the 28 PHP/IOP staff, if the program is determined to be infeasible within AHS, to explore potential county employment, including vacant positions in AC Health or the Social Services Agency.

FINANCING:

This will result in a supplemental allocation of up to \$19.3 million to AHS during fiscal year 2026-27.

VISION 2036 GOAL:

Providing supportive services to those with mental illness meets the 10X goal pathways: **Health for All** and **Eliminate Poverty & Hunger** in support of our shared vision of **Safe & Livable Communities** and **Thriving & Resilient Populations**.

Respectfully submitted,



Nikki Fortunato Bas, Supervisor
Board of Supervisors, 5th District



Nate Miley
Board of Supervisors, 4th District

cc: Auditor-Controller
County Administrator
County Counsel