

To our physicians and stakeholders,

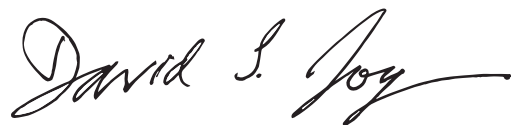
After two long years of responding and adapting to new challenges, we can no longer use the word unprecedented. We — you — endured the worst that a global pandemic could throw at us, yet you continued to deliver exceptional care to our members and your patients.



As the following messages from Hill Physicians' leaders depict, in 2021 our physicians again delivered award-winning care. We continued to grow the Hill Physicians network and membership, adding new plans and products to our portfolio. We invested prudently but strategically, including technology enabling us to better support our practices. We developed a three-year roadmap to continue to grow and support the Hill Physicians brand. While tightly managing administrative expenses, we recorded another year of stable financial results that position us to support the independent physicians of Hill Physicians Medical Group in 2022 and beyond. This year the Hill Physicians Chairman, Harpreet Grewal, MD, and Chief Medical Officer Amir Sweha, MD, share some of the highlights of your exceptional work. Their messages of acknowledgment will be followed by highlights from your Finance Committee Chairman and Treasurer, Leland Dobbs, MD.

From the bottom of my heart and on behalf of the over 600 employees of PriMed who work solely to support you, thank you for all you do for your patients, for each other and for the communities you serve.

David Joyner

A handwritten signature in black ink that reads "David S. Joyner".

CEO, PriMed Management Consulting Services, Inc.
CEO, Hill Physicians Medical Group



The foundation of our strength

Simply put, you — our physicians — are the glue that binds our medical group together. There is strength in numbers, and our over 4,500 contracted physicians comprise a network that has no peer in Northern California. The breadth and depth of services you provide is immense, and the access to care you provide to consumers is unparalleled.

Our promise to you — our physicians and practices — is to provide value-added services supporting your independence. Some examples from 2021 include:

- We witnessed the Medicare Advantage Global Risk line of business grow, adding top-line revenue that flowed to our physicians. We are poised to grow further in 2022 and beyond.
- We achieved significant shared savings in our PPO plan arrangements — savings distributed to physicians participating in ACO and clinically integrated networks (CINs). We concluded 2021 with all of our largest health plan partners (Aetna, Anthem, Blue Shield, Cigna and UHC) participating in our CINs.
- We garnered financial support from Blue Shield of California to help fund Community Health Advocates who help your patients navigate the often complex social services and healthcare landscape.
- We launched an innovative pilot offering value-added services to your practices; a service we are eager to expand in the coming year.
- We bolstered Hill Physicians' presence in Solano County, adding NorthBay Healthcare to Hill Physicians' network of providers.
- We invested wisely in technology, including the launch of a customer relationship management system (CRM) that will help us better communicate with physicians and manage the immense amount of data associated with our network.

Your accomplishments are enviable and acknowledged by independent third parties. In 2021 Hill Physicians' Sacramento and East Bay regions each won the Excellence in Healthcare Award, the highest level of achievement in the Integrated Healthcare Association's AMP program. Only 21 out of nearly 200 eligible provider organizations received this award last year.

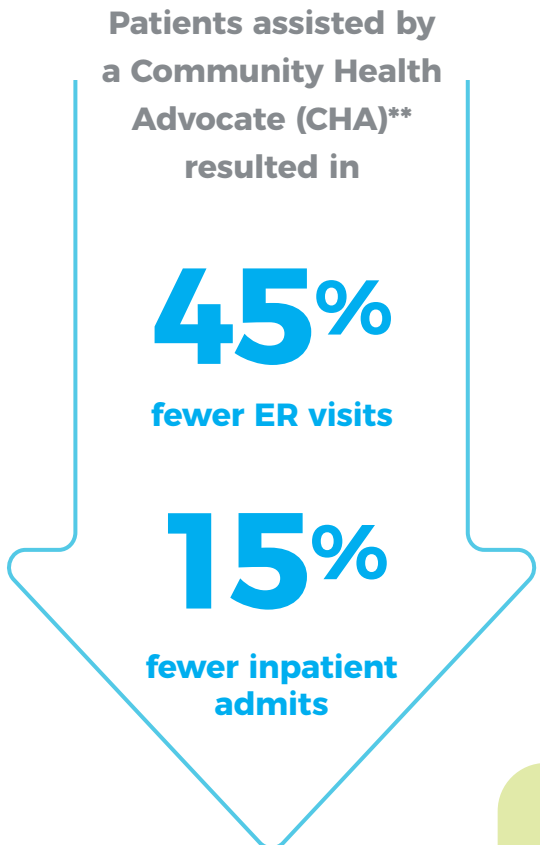
A visual depiction of some of your many accomplishments in 2021 follows on the next page. Your individual and collective work reflect well on Hill Physicians Medical Group. Thank you for your dedication and commitment.

Harpreet Grewal, MD

A handwritten signature in black ink, appearing to read "Harpreet Grewal", written in a cursive style.

Chairman, Hill Physicians Medical Group
President, Hill Physicians Medical Group

Thank you, Hill Physicians doctors and teams,
for the following 2021 accomplishments:



14k diabetic patients
with sustained blood
sugar control

732k clinical care
gaps closed

166k preventive cancer
screenings completed

41k patients compliant on
chronic medications

270k patients fully
COVID-19 vaccinated

Achieved 8 Gold Stars for
our Epic EMR, now with 383
providers on the platform

Finished 2021 with all 5
large PPO plans in the CIN
(Aetna, Anthem, Blue Shield,
Cigna, United)



Sacramento



East Bay

Saw 4 Medicare Advantage
(MA) plans achieved 4 stars

Achieved or bettered
budgeted financial
performance in our first full
year of MA Global Risk

Estimated 2.8M in
medical drug cost savings

Conducted 490k
patient outreach contacts



Weathering the storm

Early in 2021, three different vaccines available to the public created a renewed sense of optimism in our fight against COVID-19. By April 2021, the U.S. surpassed 200 million vaccinations, and many physicians — including myself — believed the most difficult days of the pandemic were behind us. Practices returned to pre-pandemic operations with modified safety measures; patients felt more comfortable seeking care in person, and indoor masking requirements for public settings were (briefly) rolled back for the vaccinated.

Then came the Delta variant followed by the Omicron variant in late fall. It was a proverbial gut punch. The uncertainties of the pandemic wore on patients and clinicians alike. Burnout was a significant issue because all aspects of practice operations were affected. Once again you rose to the occasion. Practices revisited operational workflows and resources — developed or promoted by Hill Physicians — to deliver exceptional care. Hill Physicians delivered more than 550,000 pieces of free personal protective equipment to help ensure practice staff and patients remained safe. What's more, practices engaged and encouraged unvaccinated patients to receive COVID-19 vaccines — leading to more than 200,000 fully vaccinated Hill Physicians members.

Thanks to your member engagement and outreach, 98% of high-risk patients were seen in 2021, and adoption of telehealth flourished. We received more than 170,000 telehealth claims in 2021 compared to approximately 2,200 in 2019. More than 80% of our network primary care physicians, and 66% of our specialists, have adopted telehealth — outstanding! In 2022 we will make it even easier for practices to adopt and leverage telehealth capabilities, inclusive of video visits.

We also recognized that often underserved members of the communities in which we live and work were adversely affected by the pandemic. Consequently, Hill leadership adopted the following diversity, equity and inclusion statement affirming our continued commitment to all we serve:

At Hill Physicians we strive to serve our patients without bias. You are our community and reflect the diversity of our lived and shared experiences. We respect your race, ethnicity, national origin, gender, gender identity, sexual orientation, age, religion, abilities, socioeconomic status, experience, perspective and any other attribute that makes you uniquely you. We are deeply committed to reflecting those values in the service we bring to our community.

We all endured and innovated to overcome adversity and mitigate the effects of the pandemic. We also continued to rally to support one another and the communities we serve. There is still much more to be done. But I'm confident that we can leverage the lessons learned to advance compassionate care in our communities in the years ahead.

We are grateful for your resilience. You inspire us.

Amir Sweha, MD

Chief Medical Officer, Hill Physicians Medical Group



A message from our finance committee chairman

Patients and our communities at large benefited from the incredible commitment and expertise of our clinicians during 2021. Your dedication is fundamental to our operational and financial success this past year.

Amid the uncertainty and disruption of the ongoing pandemic, Hill Physicians Medical Group grew its total revenues in 2021 by 4% or \$22 million. That \$22 million was delivered back to physicians through payments for medical services that increased from \$401 million in 2020 to \$423 million in 2021, while administrative costs remained flat. Included within the \$423 million of medical services payments was \$41 million of provider incentive payment distributions for clinical quality, patient experience and efficiency programs .

The Hill Physicians balance sheet remains appropriate and healthy, which will allow us to support our physicians through future challenges and opportunities. We continue to look for ways to best support physicians across the network, including helping community physician practices expand and recruit clinicians. In 2022 and into the future, we will invest in leading technologies like HillChart, our Epic instance, to improve integration and performance.

As is customary, our audited financial statements follow.

Each of you is critical to making Hill Physicians one of the top-performing independent practice associations in California. Thank you for all you do to provide excellent care to your patients, especially in these unique, challenging times.

Leland Dobbs, MD

A handwritten signature in black ink, appearing to read "L Dobbs". The signature is fluid and cursive, with the first letter "L" being particularly large and stylized.

Chairman, Finance Committee

2021 Consolidated Financial Statements

Statements of Operations

Years ended December 31, 2021, and 2020

(stated in thousands)

	2021	2020
REVENUE		
Health plan capitation revenue	\$476,235	\$464,963
Health plan and other revenue	94,656	84,233
Investment income, net	5,242	5,141
Total revenue	576,133	554,337
EXPENSES FOR PHYSICIAN AND OTHER CONTRACTED SERVICES	422,463	400,790
ADMINISTRATIVE AND OTHER EXPENSES		
Salaries and benefits	88,103	85,397
Physician administrative services	1,949	1,838
Software maintenance and support	14,284	13,106
Other purchased services	11,739	13,450
Rent	5,038	5,046
Depreciation and amortization	16,170	17,923
Other	3,120	2,311
Total administrative and other expenses	140,403	139,071
NET INCOME BEFORE INCOME TAXES	13,267	14,476
INCOME TAXES	4,031	3,579
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	7	125
Net income	\$9,229	\$10,772

A complete set of audited financial statements and accompanying notes can be found at HillPhysicians.com/2021.

2021 Consolidated Financial Statements

Balance Sheet

December 31, 2021, and 2020

(stated in thousands)

2021

2020

ASSETS

CURRENT ASSETS

Cash and investments	\$139,985	\$124,875
Accounts receivable	23,686	19,326
Prepaid expenses and other	7,140	7,753
Total current assets	170,811	151,954

Property and equipment	50,228	64,842
Other	14,468	8,341

Total assets	\$235,506	\$225,137
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LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Claims payable	\$37,993	\$33,882
Performance compensation payable	17,952	17,368
Premium deficiency reserve	574	-
Other current liabilities	25,613	28,922
Total current liabilities	82,133	80,173

Loans payable and other	17,368	18,189
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Total liabilities	99,500	98,362
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SHAREHOLDERS' EQUITY

Common stock and paid-in capital	152	157
Retained earnings	130,481	121,252
Total shareholders' equity attributable to Hill Physicians	130,633	121,409

Noncontrolling interest	5,373	5,366
Total shareholders' equity	136,006	126,775

Total liabilities and shareholders' equity	\$235,506	\$225,137
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Leadership: Board of Directors (as of December 31, 2021)



Harpreet Grewal, MD
(Chairman) Family
Medicine, Tracy



Leland Dobbs, MD
(Treasurer)
Pulmonology, Oakland



Gregg Pottorff, MD
(Secretary) Orthopedic
Surgery, Castro Valley



Mimi Sato-Re, MD
(Board Member)
Family Medicine,
El Dorado Hills



Francisco Garcia, MD
(Board Member) Family
Medicine, Sacramento



Rina Shah, MD
(Board Member)
Pediatrics, Orinda



Joshua Adler, MD
(Board Member) Internal
Medicine, San Francisco



Patrick O'Malley, MD
(Board Member) General
Surgery, Sacramento



Amir Sweha, MD
(Ex-Officio) Family
Medicine, Sacramento



Robert Wendel, MD
(Board Member)
Ophthalmology,
Sacramento



Steve Kaplan, MD
(Board Member)
Family Medicine, Clayton



Careen Whitley, MD
(Board Member)
Family Medicine, Oakland



Daren Primack, MD
(Board Member)
Cardiology, Stockton

Committees (as of December 31, 2021)

Executive

Harpreet Grewal, MD, Chair
Joshua Adler, MD
Leland Dobbs, MD, Treasurer
Gregg Pottorff, MD, Vice President
Rina Shah, MD, Secretary
Amir Sweha, MD, Ex-Officio

Membership

Harpreet Grewal, MD, Chair
Qing Dong, MD
Francisco Garcia, MD
Sanjeev Goswami, MD
Ingvild Lane, MD
Thomas Melchione, MD
Soheil Motamed, MD
Philip Rich, MD
Amir Sweha, MD, Ex-Officio
Bryan Wong, MD

Peer Review/Provider Review Subcommittee

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Robert Debruin, MD
Peter Gannon, MD
Ruth Haskins, MD
Thomas Imperato, MD
Brian Joves, MD
Alan Kawaguchi, MD
Irene Lo, MD
Thomas Long, MD
Amir Sweha, MD
Lorena Tan, MD

Peer Review/Quality Improvement Subcommittee

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Sanjeev Goswami, MD
Richard Gould, MD
Imran Junaid, MD
Irene Lo, MD

Patrick O'Malley, MD
Gregg Pottorff, MD
Amir Sweha, MD
San Tso, DO

Nominating

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Ronald Chambers, MD
Joy Liu, DO
Daren Primack, MD
Rick Rawson, MD
Rina Shah, MD
Uma Swamy, MD
Richard Ward, MD
Robert Wendel, MD

Finance

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Michael Gaddini, MD
Gregg Pottorff, MD
Robert Rowley, MD

Rina Shah, MD
Robert Wendel, MD

Continuing Medical Education

Amir Sweha, MD, Chair
Medical Directors

Provider IT

Careen Whitley, MD, Interim Chair
Puneet Grewal, MD
Eli Groppo, MD
Leena Kamat, MD
Paul Kramer, MD
Michael Leathers, MD
Joy Liu, DO
Gregg Pottorff, MD
Robert Rowley, MD
Niki Saxena, MD
Rina Shah, MD
Amir Sweha, MD



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