

# A Message from our CEO

#### To our physicians and stakeholders:

Our organization experienced a year of transition in 2022. As the year began, we were still feeling the impact of the COVID-19 pandemic and the winter surge. As summer arrived, the world and our company started to return to normalcy. As winter returned, we are pleased to report that we ended 2022 with the largest revenues, membership, and network size in the history of Hill Physicians.

Our strong position coming out of 2022 is a testament to the viability of our model. We have the scale, track record, and performance to continue to compete effectively in the market, but we must remain vigilant as market consolidation continues and new players enter the scene. We recognize that the Independent Practice Association (IPA) model is experiencing headwinds, but we are proudly a physician-owned enterprise and remain confident that our model is durable and strategically sound.

As I reflect on the strategy that drove our success in 2022, three themes emerge:

 Support for our physicians and investments in technology: The pandemic dealt a serious blow to many of our practices, and we are working to strengthen our network. At the height of the lockdowns, we were able to provide direct financial support as well as personal protective equipment and other assistance. As an organization, we have relied heavily on leveraging the Epic software platform. Along with the 99 practices using HillChart, (our version of the Epic Electronic Health Record), we are using Compass Rose, Epic's Population Health Platform, and Tapestry for authorizations, and soon adding claims. By leveraging Epic's capabilities on a single platform, we can share data seamlessly and benefit from Epic's considerable investment in the software.

- Fundamentals of patient care: Our success rests on our ability to provide access to high-quality, affordable, and patient-centric care. Our hard working and dedicated physicians, combined with our data, technology and care management resources enable superior performance.
- Financial stewardship and risk management:
  Our restricted Knox-Keene (RKK) licensed
  subsidiary in Greater Sacramento enables us to
  contract with health plans for professional and
  facility risk (Full-Risk) for Medicare Advantage.

With your partnership, Hill Physicians will continue to thrive for years to come.

Finally, I would like to personally thank
Dr. Harpreet Grewal, who is completing his
five-year term as chair of the Hill Physicians
Board of Directors in July 2023. Harpreet has led
the Board through a dynamic time and with a
steadfast focus on the success of the organization.
I am also grateful to the board for their leadership,
guidance, and passion. The many practicing
physicians who serve on committees and inform
and guide our strategies further support us. I would
also like to extend my sincere thanks to the PriMed
team members who execute the operations and
strategic direction our physician leadership has set.

My best wishes for 2023 and beyond.

David S. Joyne

Yours sincerely,

David Joyner



# **Committed to Supporting our Physicians**

Dear colleagues:

Thank you all for an excellent year!

I want to welcome new shareholders to Hill Physicians. In 2022, we expanded our shareholder base from 244 to 458 physicians, and we are pleased to add these new voices to our organization. As a shareholder, you will help ensure the viability of our IPA model and maintain physician ownership of our independent network.

Hill Physicians is committed to supporting you, our physicians, in the following ways:

- **Development of our network:** Our Forgivable Loan Program has allowed us to expand and deepen our network. In 2022, 20 loans were approved, and several positions were filled, bringing new physicians into our enterprise. Many more loans are in process for 2023, and we expect this financial support to continue going forward.
- Physician education and leadership: We have provided our physicians with educational and leadership development opportunities. In 2022, 77 physicians participated in our successful Physician Leadership Series. We also remain committed to physician education and to sharing the benefits of independent practice with the next generation of physicians through outreach to residency programs and the community. All our programs and events have been an opportunity to deepen shared learning and to continue to build a community throughout the network.

• Investments in technology: We have made significant investments in technology for your benefit. HillChart, our instance of the Epic EHR, is a powerful and valuable tool that Hill Physicians can make available to our network. We now have 99 practices on HillChart, and we are proud to be in the top quartile in terms of our use of the system's full capabilities.

We are dedicated to evaluating additional support initiatives to grow and strengthen your practices.

Our shared dedication to our patients makes our organization strong and sustainable, as reflected in the numerous awards and public recognition we received last year. This accomplishment is a result of your hard work and excellent patient care.

This will be my last annual report letter as chair of the Hill Physicians board of directors, though I will remain a member. It has been my honor and pleasure to serve our organization in this capacity.

Sincerely,

Harpreet Grewal, MD

# **Creating New Solutions for Clinician Success**



Dear colleagues:

I am happy to have joined Hill Physicians in 2023, and I thank you all for the warm welcome.

I believe the best way to approach healthcare advancement is outlined in the Quadruple Aim: Improve population health, reduce the cost of care, enhance the patient experience, and improve provider satisfaction.

Throughout my career, I have developed the skill set and experiences necessary to drive this work, based on my background in academia, private practice, the public safety net system, and health plans. Academia set a strong foundation for my work ethic and for how I deliver care as an internist and nephrologist. As a community physician, I developed a deeper understanding and appreciation for the tremendous amount of work and dedication necessary to carry the dual responsibilities of devoting oneself to improving the lives of others and being an entrepreneur and small business owner.

Regarding the public safety net system and health plans, I learned how to influence the delivery of care at scale while managing quality and cost levers. Most recently, I demonstrated my application of the Quadruple Aim in my role as chief medical officer at Strive Health, which is at the forefront of innovation in the kidney space. In my role, I accomplished the following:

- · I designed the tech-enabled, value-based kidney care model that optimized the care of patients with chronic kidney disease and end-stage kidney disease.
- I led clinical product strategic development, partnered with my colleagues to build the business case, and implemented the model with physician groups, health systems, and health plans across the United States.

• Through the launch of our population health program, I managed the clinical strategy that drives ongoing value creation through quality improvement initiatives and digital health solutions.

I understand the importance of setting up clinicians for continued success by ensuring that they have the support and resources necessary to provide safe and effective care in an environment in which they will feel fulfilled and financially whole.

As a member of the Hill Physicians team, I will work alongside my colleagues to help create solutions that will support clinicians as they navigate the tremendous change that is afoot in healthcare.

- One driver of this change is innovation. The delivery of clinical care is quickly evolving and becoming increasingly complex as value-based care models and digital health become more prominent features.
- Clinicians continue to face numerous professional challenges, including staffing shortages, burnout, and moral injury due to numerous public health crises.

As a member of the leadership team, I will be a thought partner on how to proactively assess the healthcare landscape and create solutions that will set up clinicians for success, which ultimately translates to improved care for patients and increased value for the healthcare system.

Warmly.

Shika Pappoe, MD



# Spotlighting Physicans, Patients, and Employees Grew Engagement

We supported the Q4 open enrollment period through engaging advertising and videos, highlighting our physicians, employees, and patients. The new social media "Testimonial Campaign" resulted in substantial growth of new followers and significant improvements in engagement (more than 118% versus 2021).

In 2023, we will continue to spotlight our physicians through Health Tips by Hill Physicians, a new video campaign providing information on major health concerns that may affect the population.







**Patient Spotlights** 

## The Voice of Our Members

We are proud of our industry accolades, and we know that we build our reputation one patient experience at a time and that our most prestigious awards are the appreciative words of our patients:



"Dr. Ahuja is one of the best doctors I've ever had. And his office is so responsive, and I feel that every time I go in for a visit that, you know, I'm the number one patient and I have a practice that cares about my well-being."

-40 year old East Bay primary care patient



"I have an appointment with Dr. Daniels, and he is a very considerate, nice gentleman. And he explains what he's doing when he's doing it, and I would recommend him to anybody that I know."

-52 year-old Sacramento primary care patient



"Dr. Hemphill is probably one of the greatest doctors in cardiology in the area. His staff is always extremely helpful and follow up on everything. He has saved my life at least three times since 1999."

-65+ year old cardiology patient

# **Supporting Physicians**

Hill Physicians exists to support our physicians. In 2022, that support included direct financial assistance in the form of forgivable loans, the establishment of programs to assist in the growth and development of independent practices, and investments in technology to provide a platform to support our network.

#### Forgivable Loan Program

Hill Physicians' Forgivable Loan Program supports practice growth, succession planning, and network development by offering practices financial support to add physicians to our network. In 2022, 20 loans were approved, and several new physicians were brought into our enterprise.

#### **Residency Program**

Under the leadership of Dr. Francisco Garcia, Hill Physicians actively promoted the independent practice physician's career pathway. Dr. Garcia's Family Medicine and Primary Care residency programs featured a presentation entitled, "Is Independent Practice Right for You?" We are delighted with connections to the community and those we believe will lead tomorrow's patient care. Events attended include:

- · UCSF Job Fair
- · Sierra Sacramento Valley Medical Society
- · Methodist Hospital, Sacramento
- · St Joseph's Medical Center, Stockton

## Membership Growth and Employer Program

In 2022, Hill Physicians partnered with Western Health Advantage (WHA) and Red Hawk Casino during an open enrollment period to transition 600 members from a large, integrated managed care company to WHA and Hill, growing our physician panels in Folsom and the Greater Sacramento region.

#### **Virtual Care Network Pilot**

Hill Physicians launched a Virtual Care Network (VCN) pilot in December 2022. The VCN vision is to provide patients with access to a medical care provider by video link to ensure their care remains in the Hill Physicians network. The pilot included eight physicians, representing five practices.

Today, adult Medicare Advantage or Commercial Hill Physicians members have access to an average of 25 appointments weekly for same-day appointments, and any physician using HillChart will be able to offer virtual visits through our "Get Care" link on the Hill Physicians' website.

In 2023, we will optimize the workflow to better serve physician's practices, begin marketing to patients, and invite all Hill*Chart* providers to participate. Additionally, we will evaluate expanding to specialty physicians and develop new VCN use cases as we seek to add value to our physicians and patients.

"It was very valuable to hear from a recent graduate how the training she got during residency translated to independent practice."

-Victoria Charoonratana, 3rd-year resident, Methodist Residency Program



# HillChart Technology Adds Value

The HillChart electronic health record (EHR) tool helps our providers deliver high-quality care to patients. Powered by Epic, it provides significant value to practice operations and patients.

Currently, HillChart has been implemented in 99 practices, up by more than 22% over the prior two years, including onboarding two large specialty practices, Alpine Orthopedics and Stockton Cardiology, which have 30 providers combined. Epic has recognized us as a Gold Stars Status Level 8 organization (out of 10) for system features offered to our practice users that improve clinical and financial outcomes. Specifically, we achieved the following:

- More than 2.47 million patient care gaps closed. The platform provides a framework for identifying gaps and automating engagement with patients, which we believe enables better care delivery.
- Nearly 60% of patients have enhanced access to information: MyHillChart account members have access to medical records, lab results, prescriptions, and physician-patient messaging. EPIC analysis indicates a higher level of satisfaction among patients with access to this application.
- Approximately 25% of staff time recuperated: HillChart enables a streamlined workflow through patient self-service. In 2022, we scheduled 13,000 appointments through the MyHillChart patient portal. The cumulative benefit resulted in time savings for practice staff and improved no-show rates.

For 2023, we will further advance system functionality, operational efficiency, interoperability, and EHR security to maximize usability. We hope to add additional Hill Physicians practices to our Hill Chart platform as well.



# **Patient Support Programs Helped Over 9,000 Patients**

Our various patient services help patients every day. Our care team can offer a variety of excellent services to patients that extend to their home and hospital bedside to support their needs.

Our Care Management team consists of case managers and coordinators who focus on the highest-risk and highest-utilizing patients by providing care coordination, goal setting, and education, including setting lifestyle goals and aiding patients to better manage chronic diseases. In 2022, our team touched 9,103 patient lives through:

- Post-emergency department outreach to provide urgent care education, assist patients to re-engage with their physician, and develop care plans for frequent users.
- **Transition management** for patients who are discharged from a hospital or skilled nursing facility to coordinate follow-up care and other discharge needs.
- Complex care management for patients with multiple chronic health conditions by setting goals aligned with patient values, creating individual care plans, and providing education on self-management.
- **Serious illness management** including advanced care planning, palliative care coordination, and hospice coordination.

Community Health Advocates serve as a bridge between communities and healthcare systems. They can help support patients' unmet social needs, such as housing and food insecurity, by connecting patients with community resources and services.

## **Patient Story**

**Background:** Mr. X (not real patient name) is a 61-year-old who suffered a stroke. After his hospitalization, he was referred to an out-of-network outpatient stroke rehabilitation facility because the in-network facility required his family to transport him.

**Outcome:** Our care management team redirected the authorization to an innetwork stroke rehabilitation facility and a transportation service, thereby enabling convenient, cost-effective, and quality care.



# Remote Monitoring Pilots Resulted in Improved Outcomes

Two remote pilot monitoring programs went live in 2022, with expansion planned in 2023

#### **Hypertension**:

• More than 200 patients with high blood pressure were enrolled in a pilot across two HillChart practices. Patients were required to submit blood pressure data twice daily at least four times a week. They received regular checkins with a virtual pharmacist to review lifestyle, diet, and medication adherence in conjunction with monitoring from their physician. On average, systolic blood pressure decreased by 6 mm Hg and diastolic blood pressure decreased by 5 mm Hg from the baseline in the first eight weeks.

#### **Diabetes:**

• More than 200 patients with uncontrolled type 2 diabetes were enrolled in a diabetes disease state management program, where they received coaching from Hill Physicians pharmacists and health educators around lifestyle, diet, and medication optimizations. Within six months, patients in the program saw an average AIC reduction of > 1.2%.

We will expand both the hypertension and diabetes programs in 2023, utilizing remote patient monitoring capabilities within a sustainable value-based care model.

## Partnering with Physicians to Improve Patient Experience

Enhanced clinical well-being is a component of the Quadruple Aim. We value each of our physicians and providers in the network, and we will continue with focused efforts managed by the Patient Experience Team in three main areas: education, wellness, and amplifying the voice of the patient. Our Patient Experience Team's achievements in 2022 included the following:

• Physician led education series: More than 430 physicians attended the series, which included training in reputation management, lean methodology, and office culture improvement. 81% of attendees agreed that the series was relevant and applicable.

- **Wellness:** The team conducted seven wellness events throughout the year to support peer-to-peer interaction and community involvement. This represented an over 220% increase in events over last year.
- Patient and Family Advisory Council: A group of patient volunteers met throughout the year to offer perspectives on patient-facing materials and contribute to communication best practices for our education series.

We remain dedicated to improving the coordination of patient-centered care by conducting skill development training, facilitating improvement strategies, and encouraging patient engagement to strengthen the relationship between patients and their care team.



# Growth Across Strategic Lines of Business

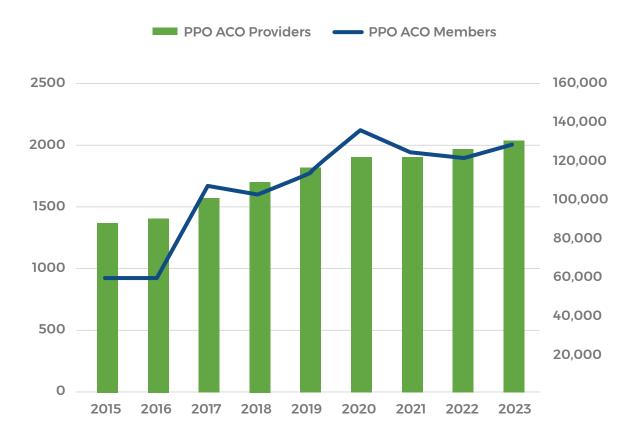
## **PPO Accountable Care Organization and Clinically Integrated Network**

Our PPO Accountable Care Organization (ACO) and Clinically Integrated Network (CIN) continued to add clinical quality improvements and financial gains to our physician practices. Since launching our first PPO ACO in 2015, we have experienced significant growth. Our annual growth rate is more than 5%.

Through our ACO, Hill Physicians can provide practices with services to close gaps in care. We advise on medications, extend care management coordination, and provide referral management resources to assist PPO members, who can self-refer and may seek out-of-network care, without guidance.

We are recognized as a high-value network for care and continue to achieve strong quality scores across all five PPO health plans. Over the past two years we paid out \$5 million and \$4 million, respectively, to the PPO ACO network in shared savings, in addition to bonuses through our PPO P4 quality program. In 2022, we negotiated new ACO programs with three of the five health plans.

#### **PPO ACO Growth Since Launch**

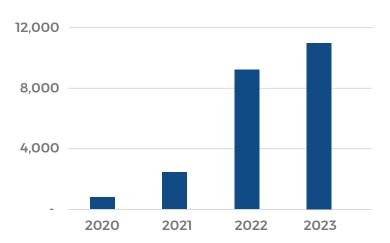


## **Medicare Advantage Full-Risk Business**

The Medicare Advantage (MA) "Full-Risk" line of business is strategically important. MA is one of the fastest-growing segments in the insurance market. Many of our health plan partners prefer to contract with physician groups that can accept full-risk arrangements. The additional risk comes with additional revenue that we can use to invest in preventive care programs such as care transitions, case management, and emergency department utilization programs.

Since we launched the new MA Full-Risk business in the Sacramento region in September 2020, we have grown from 800 members to 11,000 members and have achieved positive net income every year.

#### **HPCS MA Full-Risk Membership**



Our continued growth enhances our relevance to our health plan partners. It allows us to increase our investment in our independent physician network as long as we manage the full-risk population effectively.

To be successful in managing the MA Full-Risk business, we need to achieve complete and accurate coding, produce proper documentation, and maintain a 4+ star rating with high-quality performance in Medicare's 5-star program.





## **Finance Chair Letter**



#### Dear colleagues:

Thank you for all that you do every day to provide excellent care to your Hill Physician's members. Your excellence in patient care continues to drive improved patient experience and quality of care. As your partner, Hill Physicians has brought support, growth, and stability to physicians and members during 2022.

The following indicators show that Hill Physicians' financial performance in 2022 was strong:

- Continued growth: Consolidated revenues grew by more than 16% to \$667 million, another high-water mark in company history. HMO membership growth exceeded targets for all lines of business and grew by more than 3.5% during this fiscal year. Membership in Hill Physicians Care Solutions, our full-risk Medicare Advantage line of business, grew to more than 9,600 members and generated positive net income during 2022.
- Physician payments: Total payments to physicians and other providers grew by over 21% to \$513 million, including \$40 million of provider incentive payment distributions for clinical quality, patient experience, and efficiency programs.
- Investments in technology: We are also investing in our future. Hill Physicians has invested more than \$12 million to improve technology capabilities to better support the physician network as well as expanding HillChart, our Community Connect Epic EHR System, to additional physician practices.

Our balance sheet remains appropriate and healthy to allow us to support physicians and invest in technology and other strategic initiatives. Hill Physicians has operated in Northern California for 39 years and will continue to serve local physicians and members for decades to come.

Consistent with prior years, our annual financial statements are included for your reference.

Sincerely,

Rina Shah, MD

# **2022 Consolidated Financial Statements**

Statements of Operations Years Ended December 31, 2022 and 2021	(STATED IN THOUSANDS)	
Revenue:	2022	2021
Health plan capitation revenue Other revenue Investment income (loss), net	560,007 116,130 (9,210)	476,235 94,656 5,242
Total revenue	666,927	576,133
Expenses for physician and other contracted services	513,092	422,463
Administrative and Other Expenses:		
Salaries and benefits Physician administrative services Software maintenance and support Other purchased services Rent Depreciation and amortization Other	89,267 2,215 16,955 14,459 4,464 15,392 4,643	88,103 1,949 14,284 11,739 5,038 16,170 3,120
Total administrative and other expenses	147,395	140,403
Net Income Before Income Taxes	6,440	13,267
Income Taxes	769	4,031
Net Income (loss) attributable to noncontrolling interest	(596)	7
Net Income	\$6,267	\$9,229

Balance Sheets December 31, 2022 and 2021	(STATED IN THOUSANDS)	
Assets	2022	2021
Current Assets		
Cash Marketable securities Prepaid expenses and other	97,036 63,098 30,204	72,524 67,461 30,826
Total current assets	190,338	170,811
Property and Equipment Other	42,254 32,434	50,228 14,467
Total Assets	\$265,026	\$235,506
Liabilities and Shareholders' Equity		
Current Liabilities: Claims payable Performance compensation payable Other current liabilities	57,903 12,195 31,981	37,993 17,952 26,188
Total current liabilities	102,079	82,133
Loans Payable and Other	21,202	17,367
Total Liabilities	123,281	99,500
Shareholders' Equity: Common stock and paid-in capital Retained earnings	220 136,748	152 130,481
Total shareholders' equity attributable to Hill Physicians	136,968	130,633
Noncontrolling Interest	4,777	5,373
Total shareholders' equity	141,745	136,006
Total Liabilities and Shareholders' Equity	\$265,026	\$235,506

# Leadership: Board of Directors (as of May 31, 2023)



Harpreet Grewal, MD (Chairman) Family Medicine Tracy



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



**Daren Primack, MD** (Board Member) Cardiology Stockton



**Gregg Pottorff, MD** (Vice President)
Orthopedic Surgery
Castro Valley



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



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



**Rina Shah, MD** (Treasurer) Pediatrics Orinda



**Irene Lo, MD** (Board Member) General Surgery East Bay



**Robert Wendel, MD** (Board Member) Ophthalmology Sacramento



Francisco Garcia, MD (Secretary) Family Medicine Sacramento



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



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

# Committees (as of May 31, 2023)

# Executive Committee Harpreet Grewal, MD, Chair Gregg Pottorff, MD, Vice President Rina Shah, MD, Treasurer Francisco Garcia, MD, Secreta

Rina Shah, MD, Treasurer Francisco Garcia, MD, Secretary Joshua Adler, MD Shika Pappoe, MD, Chief Medical Officer

#### **Provider IT Committee**

Careen Whitley, MD, Chair Puneet Grewal, MD Eli Groppo, MD Leena Kamat, MD Michael Leathers, MD Joy Liu, DO Paul Kramer, MD Gregg Pottorff, MD Robert Rowley, MD Imran Junaid, MD

#### Finance Committee

Rina Shah, MD, Chair Gregg Pottorff, MD Robert Rowley, MD Amita Saxena, MD Robert Wendel, MD Randeep Bajwa, MD Kevin Hsieh, MD

# Diversity, Equity & Inclusion Committee

Careen Whitley, MD, Chair Josh Adler, MD Randeep Bajwa, MD Francisco Garcia, MD Thomas Hopkins, MD Shiu-Lan Lui, MD Irene Lo, MD Wendy Zeng, MD

#### **Membership Committee**

Harpreet Grewal, MD, Chair Michael Aguilar, MD Qing Dong, MD Francisco Garcia, MD Sanjeev Goswami, MD Ingvild Lane, MD Man-Kit Leung, MD Soheil Motamed, MD Bryan Wong, MD

#### **Nominating Committee**

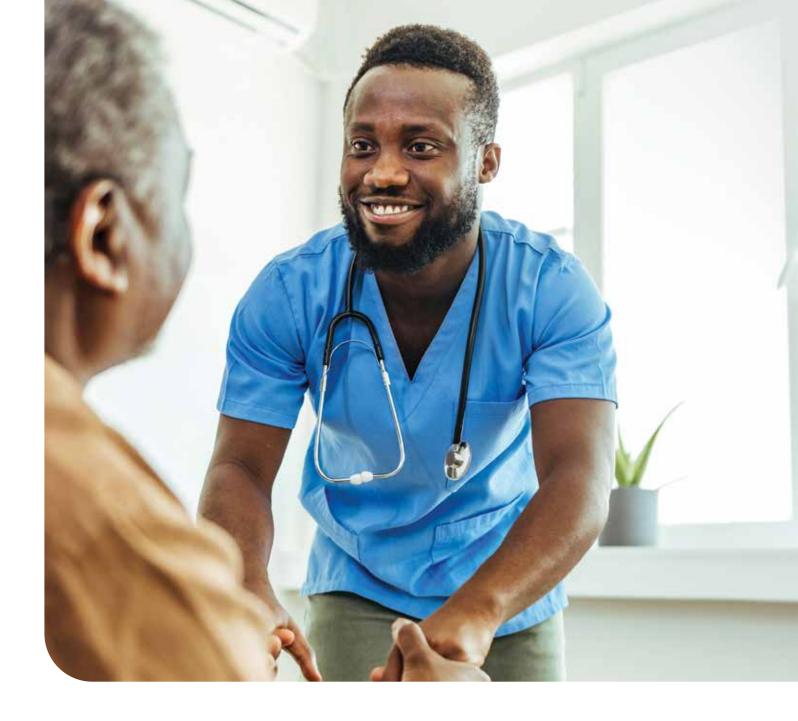
Francisco Garcia, MD, Chair Joy Liu, DO Margaret Portwood, MD Daren Primack, MD Robert Rowley, MD Mimi Sato-Re, MD Richard Ward, MD

#### Quality Improvement Subcommittee

Josh Adler, MD, Chair Cynthia Chambers, MD Richard Gould, MD Sanjeev Goswami, MD Ali Hassani, MD Imran Junaid, MD Irene Lo, MD Patrick O'Malley, MD Gregg Pottorff, MD San Tso, MD

# Provider Review Subcommittee

Patrick O'Malley, MD, Chair Robert DeBruin, MD Peter Gannon, MD Ruth Haskins, MD Brian Joves, MD Alan Kawaguchi, MD



Irene Lo, MD Thomas Long, MD Mimi Sato-Re, MD Lorena Tan, MD Chunwen (Jane) Teng, DO

#### Provider Compensation Subcommittee

Gregg Pottorff, MD, Chair Francisco Garcia, MD Harpreet Grewal, MD Paul Kramer, MD Rina Shah, MD Uma Swamy, MD Richard Ward, MD

#### **Investment Subcommittee**

Robert Rowley, MD, Chair Scott Levenson, MD Rina Shah, MD Donna Tigno, MD

# Physician Support and Communications Subcommittee

Daren Primack, MD, Chair Diego Ferro, MD Thomas Hopkins, MD Dheeraj Kamra, MD Irene Lo, MD Patrick O'Malley, MD Mimi Sato-Re, MD Rina Shah, MD Lorena Tan, MD Navneet Virk, MD Alphaeus Wise, MD

# **Provider Grievance Subcommittee, Bay Region**Robert Rowley, MD

#### Provider Grievance Subcommittee, Sacramento and San Joaquin Regions

Ronald Chambers, MD Richard Gould, MD Sanjeev Goswami, MD Dheeraj Kamra, MD

#### **Outlier Subcommittee**

Gregg Pottorff, MD, Chair Harpreet Grewal, MD Rina Shah, MD Mark Villalon, MD

# Population Health Steering Subcommittee

Steve Kaplan, MD Chair Naveen Atray, MD Scott Huang, DO AlexandraMary Kelada, DO Daren Primack, MD Gavin Ripp, DPM Rina Shah, MD Chunwen (Jane) Teng, DO Manish Upadhyay, MD

#### **CME Subcommittee**

Shika Pappoe, MD, Chair Francisco Garcia, MD Harpreet Grewal, MD Patrick O'Malley, MD Margaret (Peggy) Portwood, MD Gregg Pottorff, MD Rina Shah, MD Richard Ward, MD

