



Delivering Growth **DRIVING PERFORMANCE**

2023

Annual Report



Membership growth through personalized high-quality care, affordability, and technology



A Message From Our CEO

2023 was a milestone year in many respects for Hill Physicians Medical Group. Many of the seeds we have planted over the years have come to fruition and helped drive exceptional results. We ended the year with the highest revenues in the history of Hill Physicians at \$761M, plus substantial (6 percent) membership growth across Commercial HMO, Medicare Advantage, and managed Medi-Cal. This growth and performance put us in a position to give our physicians \$8.7M in a special year-end distribution, while still reserving funds on our balance sheet to make future investments or to weather challenges. The drivers behind this growth and financial performance are the following:

- Our strong track record of affordability, high quality, and exceptional patient experience led to an expanded offering of several narrow network products that have successfully attracted additional members.
- Our Restricted Knox-Keene License in greater Sacramento, and now San Joaquin County, allowed us to attract more Medicare Advantage members.
- Our technology, namely HillMetrics, HillChart, and Epic's population health tools, enabled us to achieve higher levels of complete and accurate coding and improved quality metrics, resulting in shared savings and other pay-for-performance payments from plans.
- The size of our network expanded, attracting more members and health plans.
- Our social media and digital advertising campaigns, spotlighting our physicians, helped to differentiate Hill Physicians from the impersonal experience that some of our large "Big Box" competitors offer.

Of course, we recognize that we are in an intensely competitive environment with competitors who have significant market leverage and financial resources behind them, and we cannot afford to be complacent. We must use our advantages to the maximum to compete. We have an excellent physician delivery system performing at a high level. Health plans need an organization like Hill



Physicians, as one way to keep healthcare more affordable, without sacrificing quality and outcomes. Finally, with our substantial investment in the Epic platform, we have strong capabilities and can move much faster to innovate, given our size.

Many organizations like ours have been sold to larger entities, including health plans, technology companies, and investors. However, we are steadfast in our commitment to remaining independent and physician owned. We believe we have the scale and resources to remain independent, as long as we continue to perform. Our board is 100 percent aligned in our mission to remain independent.

As I finish my 11th year at Hill Physicians, with nine of those years spent as Chief Executive Officer, I am deeply grateful for the dedicated guidance of our Board of Directors and the invaluable contributions of our committees of practicing physicians. I extend my sincere appreciation to the exceptional management team at PriMed and all the hardworking individuals within our organization whose relentless efforts drive the growth and success of Hill Physicians.

Best Wishes,

A handwritten signature in dark ink that reads "David S. Joyner". The signature is fluid and cursive, with a large, stylized 'D' and 'J'.

David

**A long-term commitment to excellence,
innovation, and adaptability**



A Message From Our Chairman

The year 2023 marked the start of my time as the Board Chair for Hill Physicians Medical Group. As you review this Annual Report, I invite you to reflect on the journey that has defined Hill Physician's success. Our steadfast commitment to excellence, innovation, and adaptability has solidified our position as a leader in value-based healthcare. With our dedicated physician network and a prudent cash reserve, we're prepared to capitalize on opportunities and navigate challenges.

I joined Hill Physicians 30 years ago as an Orthopedic Surgeon in Castro Valley. Later, I became more involved with Hill Physicians as a physician reviewer for Orthopedics in Utilization Review. It was through this experience that I recognized the need for more physician leaders at Hill. I chose to help and do my best to be part of the solution—first on committees, then on the Board of Directors. More responsibility and involvement led ultimately to my current position as Chair of the Board and now near-daily interaction with the whip-smart members of the Hill executive management team.

Alongside a superb executive management team, our physician leaders are at the heart of Hill Physicians' success. This collaboration between physicians and management makes us stronger; we benefit from the decades of varied experience and expertise of our physician and management leaders. The foundational pillar of Hill Physicians is a physician-led governance structure. Our Board of Directors is composed of a diverse array of primary care and specialty physicians



from across our various regions. Additional physicians participate in leadership on our committees and other events, such as Town Halls, CMEs, and Chief meetings. Active physician involvement in leadership means we can leverage physician insights to optimize our programs and to ensure we maintain a stable, healthy network.

I'm proud of our journey and excited for our future as a company dedicated to excellence. I wish you continued success in serving our diverse network of members. I want to take this opportunity to thank all of you, our physicians, for your continued dedication to providing excellent care to our members.

Sincerely,

A handwritten signature in black ink, appearing to read 'G. Pottorff', written over a light blue background.

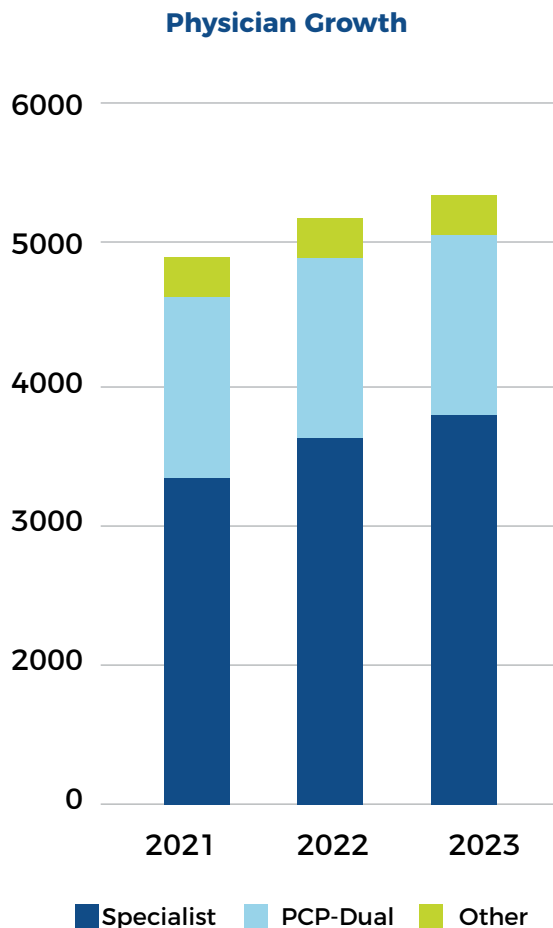
Gregg Pottorff, MD
Board Chair



Physician Recruitment Driving Sustainability and Patient Access

Overall Network Growth

In 2023, our network reached approximately 5,700 physicians, marking a 10 percent increase versus 2021. This larger network of high-quality physicians allows our members to personalize their healthcare experience with more physician options and improves their access to care.



Physician Recruitment Support

We helped Hill Physicians practices recruit physicians and advanced practice providers to address access needs, foster growth, and support succession planning. Practices can apply

to Hill Physicians for recruitment services only or, additionally, apply for a forgivable loan to cover costs such as sign-on bonuses and ramp-up time. In 2023, Hill Physicians funded 28 searches with 18 physicians and advanced practice providers (APPs) successfully placed into Hill Physicians practices. Since 2021, we've approved \$2.9M in forgivable loans and invested over \$600k in recruiting fees to help practices with growth and succession planning.



"My solo practice had the potential to grow, but our schedule was already at maximum capacity. I needed financial assistance to achieve my goal to better serve the community."

-Diego F. Ferro, MD, Internal Medicine

Internal medicine physician Dr. Diego Ferro's journey illustrated the impact of our loan program on clinical excellence and financial success.

With financial and recruiting support from Hill Physicians, he expanded his practice and hired a Nurse Practitioner in early 2023. This strategic move led to a 56 percent increase in Dr. Ferro's Hill Physicians membership by the end of the year. In total, he has grown his panel to 1,000 Hill Physicians members, achieving his goals of improving community access to care and increasing his practice revenue.

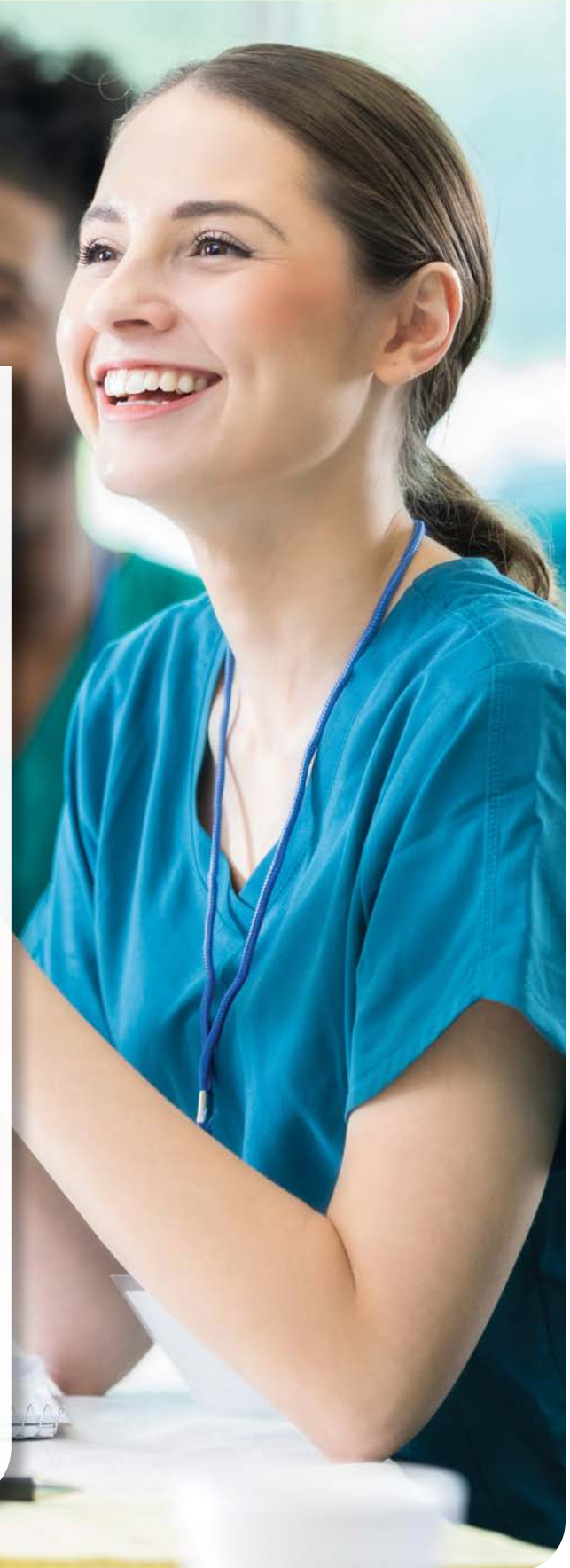
Residency Program Partnerships

Our Residency program partnerships offered supplemental education and training for physicians to reinforce the viability of independent practice. Collaborations with esteemed institutions, such as UCSF, Lifelong Residency, Dignity Methodist Hospital of Sacramento, and others, have doubled since 2022, engaging approximately one hundred residents. By targeting physicians early in residency training and strategically involving second and third-year residents, we strengthened our presence in medical education, nurturing future healthcare leaders and independent physicians.



"The new curriculum developed has successfully engaged resident physicians, encouraging each to consider independent practice and developing future leaders in the healthcare community."

-Francisco L. Garcia, MD, Family Medicine
Board of Directors, Regional Medical Director



Technology Enhanced Patient and Physician Experience

Hill Physicians remains committed to advancing healthcare technology, enhancing processes, and enriching the healthcare experience for physicians and patients.

Improved Practice Efficiency and Patient Experience with HillChart Adoption

In 2023, there were 99 Hill Physicians practices using HillChart, Powered by Epic, as their electronic health record. Many of these practices are taking advantage of the tools in the Epic patient portal, MyHillChart, that improve practice efficiency—specifically online appointment scheduling, online patient check-in, and provider messaging. For example, in 2023, 16,315 appointments were scheduled through the MyHillChart patient portal, reflecting a 25 percent increase in utilization versus 2022. Patient adoption of these tools results in reduced practice costs and a reduction in no-show rates.

Dr. Mimi Sato-Re is a testament to how adoption of MyHillChart contributes to practice efficiency, resulting in decreased staff time, improved patient-physician relationships, and overall cost reduction. Dr. Sato-Re adopted MyHillChart in 2019 and currently has 95 percent of her patients using the app. Every patient Dr. Sato-Re sees gets signed up immediately for a MyHillChart account.

In addition to improvements in practice efficiency, Dr. Sato-Re believes adoption of MyHillChart also contributed to improved patient experience scores. In 2020, her practice achieved the 90th percentile in patient experience scores, a dramatic rise versus the

year prior to incorporating MyHillChart. “HillChart goes beyond simple recordkeeping. It enhances and streamlines communication between physicians and patients,” said Dr. Sato-Re, “The automated reminder feature greatly improves and facilitates preventative care by informing and reaching patients with the ease of a button.”

For Dr. Sato-Re, medicine is more than a profession; it is a calling and demands a mindset to personalize care for each patient. Being a physician demands constant evolution and an open mind to adopt innovative technology.



“Incorporating HillChart and utilizing the patient portal fundamentally changed my practice workflow. We transitioned from faxed prescription requests to electronic submissions, shifted to appointments scheduled in the APP, and efficiently respond to patients electronically.”

-Mimi Sato-Re, MD, Family Medicine
Board of Directors

Due to the great work of physicians like Dr. Sato-Re with support from HillChart, Hill Physicians received the esteemed “Accredited Community Connect Host” status from Epic. This recognition places us among a select group within the Epic Community. It reflects our dedication to Epic best practices, high adoption rates of system features, and positive feedback from HillChart users.

Improved Hill Physicians Organizational Efficiency with Epic

In 2023, Hill Physicians centralized its clinical and operational services under a single platform, Epic.

Our clinical teams, including nurse care managers and pharmacists, moved onto the newest Epic population health platform in February. Through this software, our clinical teams can now seamlessly communicate with physicians via the electronic health record and with members, through their patient portal, MyHillChart. This streamlined communication enables efficient coordination of care for members with complex and chronic conditions.

With the success of authorization processing on Epic, other core operational teams, including claims processing, eligibility, and customer service, also moved to Epic on January 1, 2024. Through this system transition, we maintained our high performance in service, turnaround times, and accuracy, while reducing our operating costs. Additionally, customer service agents can access information more readily in Epic and follow a more streamlined path for call resolution.

"All of us at Lakeside OB/GYN strive to help patients, established and new, achieve their goals for visiting our office. This starts with their first phone call to make an appointment; our front desk staff help the patients understand their coverage and responsibility for payment of copays and co-insurance, so they are not surprised by the charges incurred for services rendered. Once the patient is in an exam room, our providers spend all the time needed to address all concerns that patients present with."

-Ziyad J. Hannon, MD, Obstetrics and Gynecology
Top Performer, Patient Experience



Improved Patient Outcomes Through Clinical Excellence

Success with Remote Patient Monitoring

We are proud to showcase the success of our Continuous Glucose Monitoring (CGM) initiative for patients with diabetes. The pilot was expanded to nine practices in 2023, including 70 members. The goal of the CGM pilot was to improve outcomes among diabetic patients by monitoring and providing a customized treatment plan at no cost.

The patients were followed for six months, during which HbA1C levels were recorded both before and after the intervention. Following an initial clinician consultation, participants received a CGM device for a 14-day trial. Within 30 days, patients had a subsequent consultation with an endocrinologist to review the results and customize a diabetes management strategy.

Preliminary data indicated a decrease of 1.6 percentage points in HbA1c levels for patients that completed the pilot. These promising results underscore the positive impact of continuous monitoring in enhancing glycemic control.

Patient Perspective on their CGM Journey

According to one patient enrolled in the continuous blood glucose monitoring pilot study, it was a transformative experience. Through remote monitoring, he embarked on a personal journey of understanding and managing his diabetes better and gaining insights into how various foods and daily stressors impact his blood sugar levels. The patient also appreciated the unwavering



support and comprehensive care from Hill physicians and staff, who were instrumental in guiding him toward improved health and accountability every step of the way. The patient felt supported by their primary care physician and the Hill Physicians care team.



"This program has significantly improved patient care by providing continuous blood glucose monitoring, which reduces the risk of hypoglycemic events and enhances treatment flexibility. Patients benefit from better understanding their diabetes and receiving more frequent treatment adjustments for improved management."

-Qais M. Wahidi, MD, Internal Medicine

Industry Awards and Recognition

Hill Physicians and the excellent work of our physicians in patient experience, clinical quality, cost, and more were recognized again in 2023.



Patient Experience Award—the Solano region earned the Top 10% Patient Experience Performance Award by the Integrated Healthcare Association (IHA) “Align. Measure. Perform.” (AMP) program, which evaluates healthcare organizations across California. This recognition acknowledges organizations scoring at or above the 90th percentile in patient experience.



Excellence in Healthcare Award—the East Bay Area region received the IHA Excellence in Healthcare Award, a testament to our performance in the top 50th percentile across three AMP areas: clinical quality, patient experience, and total cost of care.



Elite Status Award—Hill Physicians has earned Elite Status from the America's Physicians Group (APG) SOE® 16 times, including this year. Organizations must receive five-star ratings in six publicly reported domains: Care Management Practices, Information Technology, Accountability and Transparency, Patient-Centered Care, Group Support of Advanced Primary Care, and Administrative and Financial Capability.



"We appreciate being recognized as a Top Performer for Patient Experience. My staff of seven and I really like what we do and are dedicated to the long-term patient relationships we have built over the past 27 years. Our focus is to be available for everything, including chronic disease management, annual well checks, and follow-up from ED or hospital stays."

—Warren Frank Brandle, MD, Family Medicine
Top Performer, Patient Experience

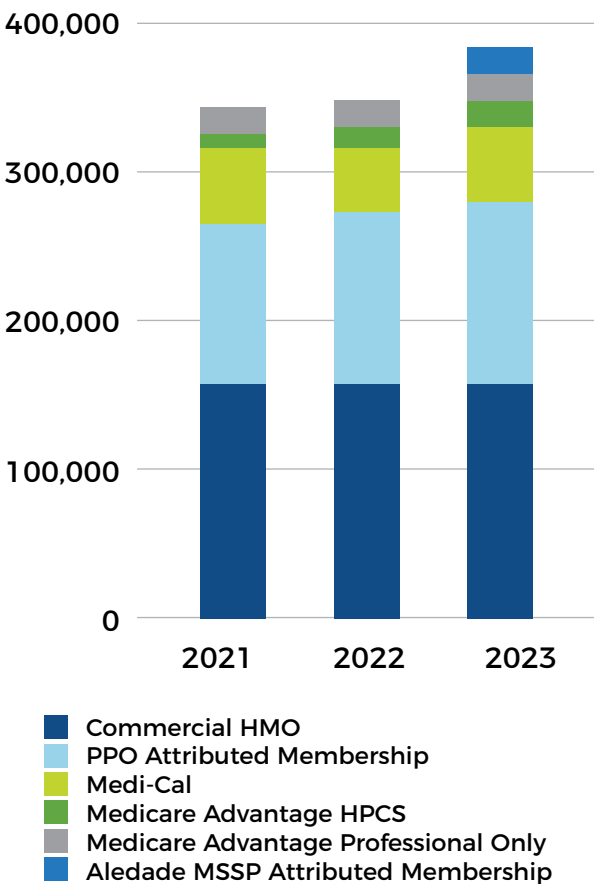
Membership Grew Across All Lines of Business

Membership Increases

Hill Physicians has experienced growth in membership, year over year, since 2021. HMO membership increased by 9.6 percent from 2021 to 2023, reflecting the value members see in Hill Physicians and our network.

The year 2023 was the first performance year of our Aledade Medicare Shared Savings partnership. This partnership has allowed us to provide our physicians with a trusted partner to offer their attributed Medicare beneficiaries access to additional services. These additional services, such as annual well visits, are aimed at improving health outcomes and reinforcing our commitment to proactive care.

Average Enrollment Trend

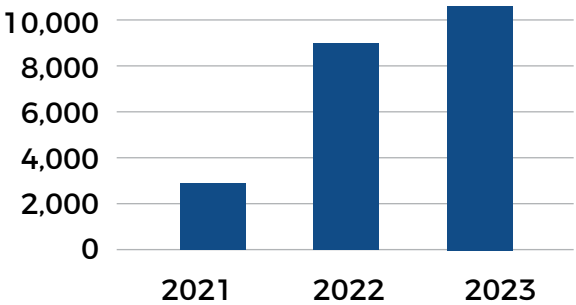


Expansion of Full Risk Line of Business

In 2023, our focus was on expanding our full risk line of business into the San Joaquin market, which became operational in January 2024. Since obtaining a Restricted Knox-Keene (RKK) license for the Sacramento market five years ago, our Medicare Advantage full risk business has flourished, now representing over 11,000 members. The RKK license not only enables us to assume facility risk alongside our traditional professional risk, but also underscores our expertise in value-based care, making us an attractive partner to health plans. Notably, our full risk line of business consistently yields positive net income annually, a distinction that sets us apart from many other RKK holders.

Our success in this line of business can be attributed to a multitude of factors, including our robust care management programs designed to support patients and physicians, our commitment to quality programs, and our dedication to accurate documentation and coding.

HPCS Medicare Advantage Full Risk Average Membership Trend



"At our practice, we prioritize building trusting, long-term relationships with our patients, fostering a culture of empathy and understanding. It's this dedication that earns us recognition as one of the top performers in patient experience."

-Manuel R. De La Cruz, MD, Pediatrics
Top Performer, Patient Experience



2023 Consolidated Financial Statements

Statements of Operations

Years Ended December 31, 2023 and 2022

(STATED IN THOUSANDS)

Revenue	2023	2022
Health plan capitation revenue	632,946	560,007
Health plan and other revenue	118,856	116,130
Investment income (loss), net	9,068	(9,210)
Total revenue	760,870	666,927
Expenses for physician and other contracted services	579,235	513,092
Administrative and Other Expenses		
Salaries and benefits	94,361	89,267
Physician administrative services	2,127	2,215
Software maintenance and support	18,963	16,955
Other purchased services	17,605	14,459
Rent	3,894	4,464
Depreciation and amortization	14,475	15,392
Other	5,355	4,643
Total administrative and other expenses	156,780	147,395
Net Income Before Income Taxes	24,855	6,440
Income Taxes	6,959	769
Net Income (loss) Attributable to Noncontrolling Interest	275	(596)
Net Income	\$17,621	\$6,267



"At the heart of our success is our unwavering commitment to our physicians who provide high quality care for our members. 2023 was a landmark year for Hill Physicians, highlighted by robust growth and notable achievements. Revenue and payments to physicians and providers grew impressively, by 14.1% and 12.9%, respectively. Our balance sheet remains strong, ensuring we are well-equipped to navigate the future and invest in meaningful technology for our physicians and members. Notably, in 2023, we invested \$10.3M in strategic technology projects, enhancing our capabilities and services. Membership growth has continued into 2024 and we project over \$800M in revenue in 2024, reinforcing our commitment to supporting our physicians in delivering high quality care."

-Rina Shah, MD, Treasurer

Balance Sheets
December 31, 2023 and 2022

(STATED IN THOUSANDS)

Assets	2023	2022
Current Assets		
Cash	119,008	97,036
Marketable securities	85,488	63,098
Accounts receivable and other	35,979	30,204
Total current assets	240,475	190,338
Property and Equipment	39,837	42,254
Other	29,668	32,434
Total Assets	\$309,980	\$265,026
Liabilities and Shareholders' Equity		
Current Liabilities		
Claims payable	76,421	57,903
Performance compensation payable	22,617	12,195
Other current liabilities	32,740	31,981
Total current liabilities	131,778	102,079
Long-term Liabilities	18,546	21,202
Total Liabilities	150,324	123,281
Shareholders' Equity		
Common stock and paid-in capital	235	220
Retained earnings	154,369	136,748
Total shareholders' equity attributable to Hill Physicians	154,604	136,968
Noncontrolling interest	5,052	4,777
Total shareholders' equity	159,656	141,745
Total Liabilities and Shareholders' Equity	\$309,980	\$265,026

Board of Directors (as of May 15, 2024)



Gregg Pottorff, MD
(Chair/President)
Orthopedic Surgery
Castro Valley



Steve Kaplan, MD
(Vice Chair/Vice President)
Family Medicine
Clayton



Rina Shah, MD
(Treasurer)
Pediatrics
Orinda



Francisco Garcia, MD
(Secretary)
Family Medicine
Sacramento



Joshua Adler, MD
Internal Medicine
San Francisco



Harpreet Grewal, MD
Family Medicine
Tracy



Ruth Haskins, MD
Obstetrics/Gynecology
Folsom



Irene Lo, MD
General Surgery
East Bay



Patrick O'Malley, MD
General Surgery
Sacramento



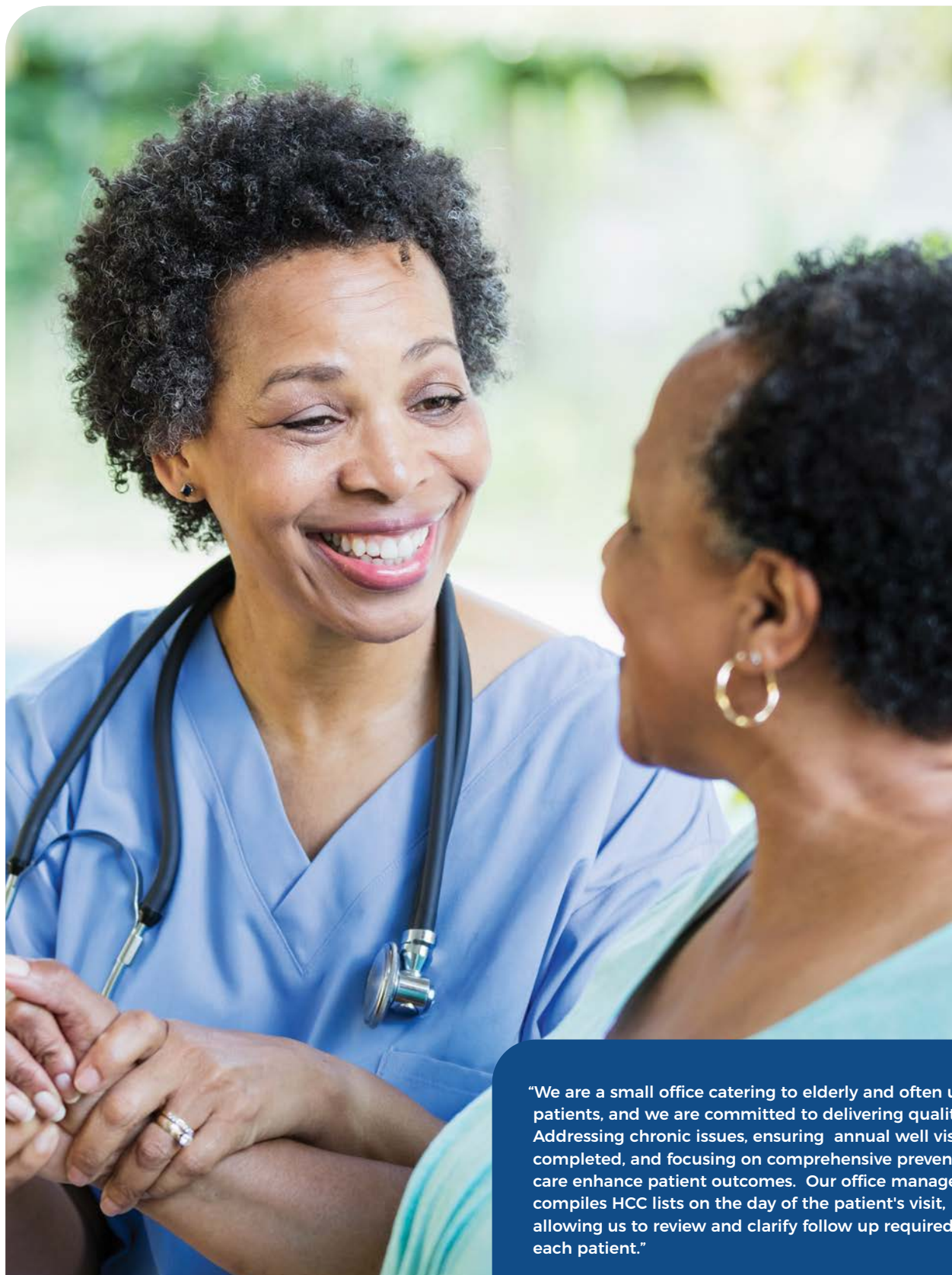
Daren Primack, MD
Cardiology
Stockton



Mimi Sato-Re, MD
Family Medicine
El Dorado Hills



Careen Whitley, MD
Family Medicine
Oakland



"We are a small office catering to elderly and often unwell patients, and we are committed to delivering quality care. Addressing chronic issues, ensuring annual well visits are completed, and focusing on comprehensive preventive care enhance patient outcomes. Our office manager compiles HCC lists on the day of the patient's visit, allowing us to review and clarify follow up required for each patient."

-East Bay Primary Care Medical Group, Internal Medicine
Top Performer, HCC, Medicare Quality Clinical,
Commercial Quality Clinical

Committee Members (as of May 15, 2024)

Executive Committee

Harpreet Grewal, MD
Gregg Pottorff, MD, Chair
Steve Kaplan, MD
Rina Shah, MD
Francisco Garcia, MD
Joshua Adler, MD

Provider IT Committee

Careen Whitley, MD, Chair
Puneet Grewal, MD
Leena Kamat, MD
Joy Liu, DO
Paul Kramer, MD
Gregg Pottorff, MD
Robert Rowley, MD
Imran Junaid, MD
Qais Wahidi, MD

Finance Committee

Rina Shah, MD, Chair
Gregg Pottorff, MD
Robert Rowley, MD
Amita Saxena, MD
Randeep Bajwa, MD
Kevin Hsieh, MD
Mimi Sato-Re, 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
Ingvald Lane, MD
Man-Kit Leung, MD
Soheil Motamed, MD
Bryan Wong, MD

Nominating Committee

Joshua Adler, MD, Chair
Randeep Bajwa, MD
Joy Liu, DO
Irene Lo, MD
Robert Rowley, MD

Quality Improvement Subcommittee

Cynthia Chambers, MD
Richard Gould, MD
Sanjeev Goswami, MD
Ali Hassani, MD
Imran Junaid, MD, Chair
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
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

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
Michael Aguilar, MD
Harpreet Grewal, MD
Mary Horner, MD
Rina Shah, MD
Mark Villalon, MD

Population Health Steering Subcommittee

Steve Kaplan, MD, Chair
Naveen Atray, MD

Scott Huang, DO
Alexandra Mary Kelada, DO
Daren Primack, MD
Gavin Ripp, DPM
Rina Shah, MD
Chunwen (Jane) Teng, DO
Manish Upadhyay, MD

CME Subcommittee

Gabrielle Gaspar, MD, Chair
Francisco Garcia, MD
Harpreet Grewal, MD
Patrick O'Malley, MD
Gregg Pottorff, MD
Rina Shah, MD
Richard Ward, MD



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Auditors

KPMG

[Hill Physicians.com](http://HillPhysicians.com)

