

2017 ANNUAL REPORT

HEALTHCARE  
*connected*



BROWN & TOLAND  
PHYSICIANS

# Healthcare on a *human scale*

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While every doctor defines professional fulfillment on his or her own terms, two common threads weave their stories together. First, doctors tend to be happiest and most effective when they're practicing a form of medicine that emphasizes and supports the relationships they have with their patients.

Second, they thrive where they have clinical autonomy and can drive quality outcomes for their patients.

Everything we do at Brown & Toland Physicians is about facilitating this compassionate model of healthcare that puts human relationships at the center.

# *A message from the*

CHAIRMAN & CHIEF EXECUTIVE OFFICER

**A HEALTH SYSTEM OUT OF BALANCE** For doctors, the direction of healthcare feels more uncertain than ever. No sooner did the healthcare community adapt to the Affordable Care Act (ACA) than we had to start contemplating the impact of its dismantling. Since 2014, when coverage expansions under the ACA were implemented, the rate of uninsured patients in California has plummeted from about eighteen percent to just seven percent. With the federal government planning to roll back funding, a huge swath of these five million newly insured patients will lose their coverage and will be less likely to seek a doctor's care. Meanwhile, plans in the California Legislature to establish a single-payer system that would make coverage universal for all Californians seem promising, but details on how it would be funded and implemented remain murky.

All this uncertainty is taking its toll. For many doctors, the things that drew us to the practice of medicine in the first place—a desire to care for patients, the ability to achieve professional success and pursue clinical excellence—are being overtaken by the stress of operating within a system that's out of balance and increasingly at odds with these aims. Doctors report feeling that their clinical autonomy is being undermined by a growing healthcare bureaucracy. With less control over how we practice medicine, doctors also report feeling overworked and undervalued—two leading causes of compassion fatigue and even burnout.

The demographic impact of these health system changes speaks for itself: for the first time ever, less than half of practicing physicians in the U.S. are independent. Doctors with established practices are scaling them back or retiring early, and younger doctors are shying away from starting their own practices and instead are joining larger corporate practices and healthcare systems.

**RESTORING BALANCE** With so many forces at play, it's easy to lose sight of what the health system is supposed to be about: doctors caring for their patients. At Brown & Toland Physicians, we champion the idea that the physician-patient relationship is and must remain the foundational building block of the health system, and that the independent physician practice is the ideal setting for that relationship to flourish.

We're bucking against the steady erosion of physician autonomy and working to restore a much-needed sense of balance for our physicians. We're also innovating an array of new services designed to ease the burdens of independent practice administration so that doctors can get back to the business of growing their practices, pursuing clinical excellence and caring for their patients.

**A NEW VISION** Building upon our strong 2017 financial results—which represented a \$17 million turnaround from the previous year—Brown & Toland undertook a comprehensive strategic planning and organizational realignment process in early 2018 to ensure the success of our mission now and into the future. The central aim of this process was to develop a five-year vision that positions us to anticipate and adapt to the evolving needs of our members, facilitate the delivery of superior patient care, increase the reach and impact of our brand, and continue to build a strong financial foundation on which to grow sustainably.

The centerpiece of our strategic plan is our innovative new Physician Practice Model, which aims to address the multivariate needs of practicing physicians at various stages of their careers. As soon as 2019, our doctors will no longer have to make a stark decision between launching a solo practice or going to work for a large healthcare system. Instead, they'll get to customize and develop their practice model over time—with Brown & Toland's full support, expertise and guidance—along a continuum of options from full employment to full independence to a hybrid of the two. We'll provide financial security for doctors who aren't yet ready to be independent, and we'll offer those who are no longer interested in full independence a flexible range of options. With the new Physician Practice Model, Brown & Toland is poised to become the go-to place for a new generation of Bay Area physicians seeking expanded practice options that cover a broader geographic footprint and with access to a larger population of patients.

To support and enhance the implementation of the Physician Practice Model, Brown & Toland will attend to four additional strategic priorities in the coming years:

1. Expand foundational services like IT systems and infrastructure to support network growth, enhance provider communication and increase coordination of care
2. Invest in our people so that we have the best team in place to support our physicians
3. Prioritize revenue and profitability to build a future for the group that's rooted in growth, stability and predictability
4. Grow the size and impact of the brand through a combination of geographic expansion, product expansion, new partnerships and other initiatives

**THE IDEAL HOME FOR INDEPENDENT BAY AREA PHYSICIANS** Where most people who follow health system trends see increasingly limited options for doctors, Brown & Toland sees opportunity—a chance to innovate, to advocate for a health system that embodies our central belief in the power and necessity of human relationships. But we know we need more than just optimism and big ideas to make it happen. That's why we've taken the steps necessary to realign the entire group around our ambitious vision, from clinical and executive leadership to the fundamentals of the group's financial health. As we work together to shape a brighter future for healthcare, our members can rest assured that they'll be supported by a team of talented, caring people who recognize and appreciate what's important to them, and who will fight for their right to practice medicine on their own terms.



Neal Birnbaum, M.D.  
Chairman of the Board



Kelly Robison  
Chief Executive Officer

## *Innovating the* independent practice

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Central to the concept of “compassionate care” is the belief that all patients and their families deserve to be treated with compassion by their healthcare providers, and that compassion is essential to the delivery of quality medical care.

**AT BROWN & TOLAND PHYSICIANS**, we couldn't agree more. That's why we offer an array of services designed to ease the stress of practice administration so that our members can focus on cultivating meaningful, supportive relationships with their patients and colleagues. Our latest innovation in this area may be our most revolutionary. Beginning this year, Brown & Toland will develop a new Physician Practice Model that creates a continuum of practice options ranging from full employment to full independence to a hybrid of the two.

While we'll help our doctors plan and implement the model that works best for them depending on their objectives, priorities and abilities, we anticipate that the Physician Practice Model will be especially helpful in promoting the evolution of an independent practice at different phases of a doctor's career. ▶

**EARLY CAREER**

There has been a steep decline in the number of younger doctors starting independent practices. Many feel overwhelmed by the health system, are saddled with debt and want better work-life balance. Brown & Toland will offer a host of attractive employment options for these talented young doctors who might otherwise end up at hospitals or other large healthcare systems. Options could include employment at Brown & Toland healthcare clinics, placement in partner programs and even social impact opportunities. We'll also create an independent practice incubator to help prepare physicians to launch their own practices.



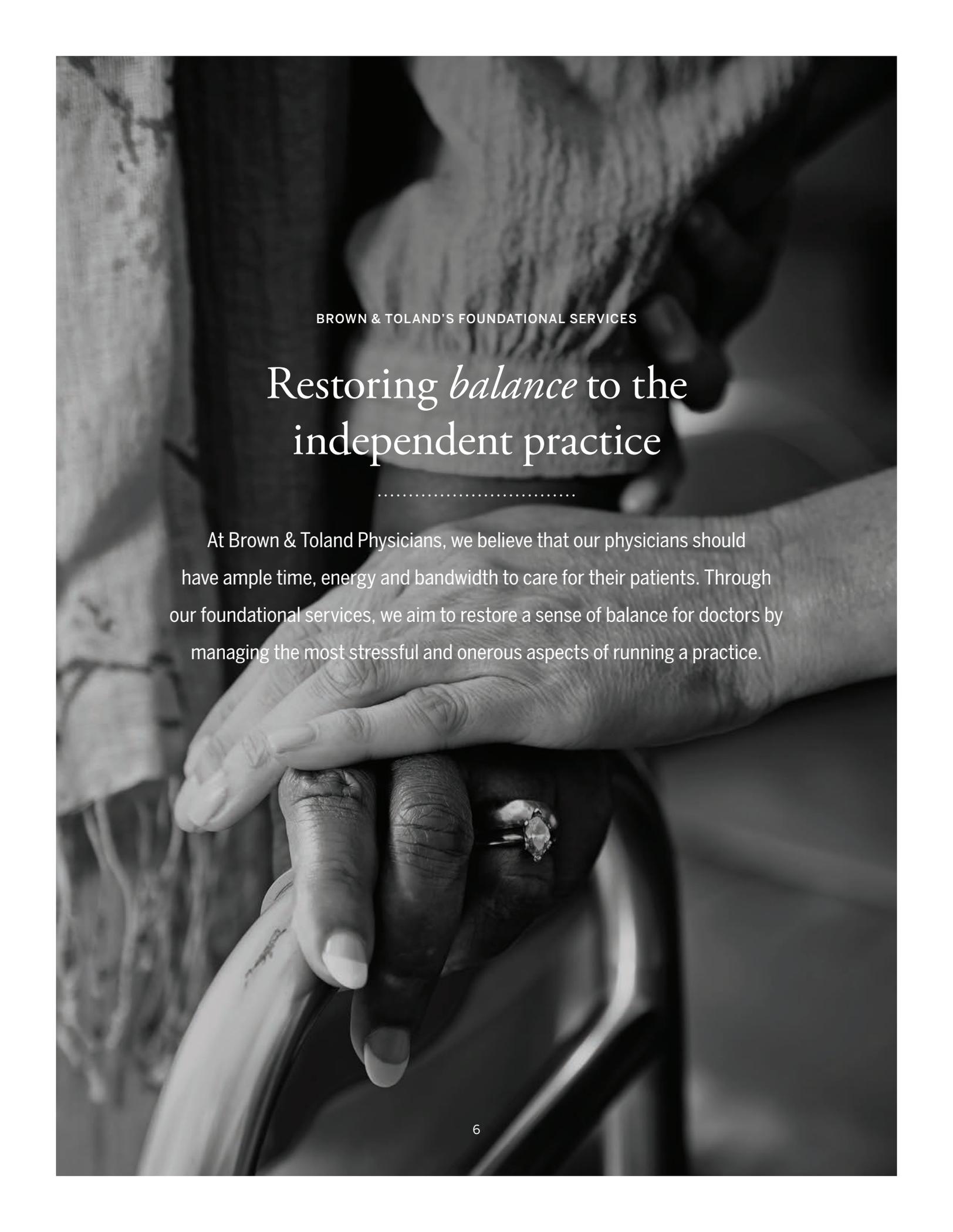
**MID-CAREER**

Once they're established in their careers, doctors who start out as Brown & Toland physician employees will be able to transition into starting their own independent practices—with our full guidance and support. Our expanded practice services can even handle the back office and administrative functions of the practice so that our doctors can spend most of their time caring for patients and collaborating with colleagues and other care providers.



**LATE CAREER**

Doctors who are approaching retirement often want to scale back their practices without completely walking away from them. Brown & Toland will offer them a hybrid employed-independent model, where they can practice fewer days and see fewer patients, seek advice on managing their transition to retirement, and treat patients in Brown & Toland clinics or partner facilities.



BROWN & TOLAND'S FOUNDATIONAL SERVICES

## Restoring *balance* to the independent practice

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At Brown & Toland Physicians, we believe that our physicians should have ample time, energy and bandwidth to care for their patients. Through our foundational services, we aim to restore a sense of balance for doctors by managing the most stressful and onerous aspects of running a practice.

## BROWN & TOLAND'S FOUNDATIONAL SERVICES

Brown & Toland's suite of foundational services includes:

**1**

Contract negotiations with health insurers that create economies of scale and help maintain the reimbursement rates for the care our doctors provide

**2**

An electronic health records (EHR) system and other electronic tools designed to help our doctors increase practice efficiency, clinical integration and coordination of care

**3**

An "all-products" strategy to align with where employers and the health insurance market are going, and to support our doctors in maintaining patient volume

**4**

Care management strategies that develop valuable clinical partnerships to coordinate care and ensure that patients are receiving high-value care within the appropriate site of service

**5**

Physician support and practice management services that enable our doctors to navigate the increasing complexity of the health system and run thriving practices with ease and efficiency

# The *best* team supporting the *best* doctors

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In pursuit of our ambitious vision for a more compassionate and effective health system, Brown & Toland Physicians realigned the entire organization in early 2018 around a new five-year strategic plan.

**THE MAIN GOAL OF THE REALIGNMENT** was to honor the commitment, skill and hard work of our 2,400 physicians by ensuring that we have the best people in the right jobs doing everything they can to facilitate and support the delivery of superior patient care.

Notably, in January 2018, Brown & Toland welcomed Kelly Robison as CEO. Since the beginning of the year, we've also brought on many other talented executives and staff.

Under the improved organizational structure,  
the group's key leadership priorities will include:

1

Enhancing engagement with  
Brown & Toland's clinical leadership  
on the group's financial health

2

Expanding the visibility and  
impact of the Brown & Toland brand  
through partnerships with key  
stakeholders in the community

3

Closely managing profitability  
and growth to ensure a  
sustainable financial future

4

Building out the quality and capabilities  
of our team through recruitment  
and hiring, training and development,  
and making Brown & Toland a  
rewarding place to work



BROWN & TOLAND'S REVENUE, PROFITABILITY & GROWTH

## Building a *sustainable* future

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Ensuring Brown & Toland's future success—and our ability to support effective, compassionate physician-patient relationships throughout the Bay Area—depends entirely on our ability to increase growth, stability and predictability in our lines of business. Through a variety of strategies, we plan to build on the successes of 2017 and fortify the group's financial health over the coming years.

**OUR 2017 FINANCIAL RESULTS** marked a \$17 million turnaround from 2016. We achieved these results through key initiatives that included increasing the accuracy of quality improvement programs, improving quality performance and reducing healthcare costs. While these strategies will remain priorities, we will add to the group's financial health and achieve our ongoing revenue and profitability goals by:

**1**

Deepening and expanding the group's geographic footprint

**2**

Creating new partnerships with organizations and hospital systems that will produce innovative products

**3**

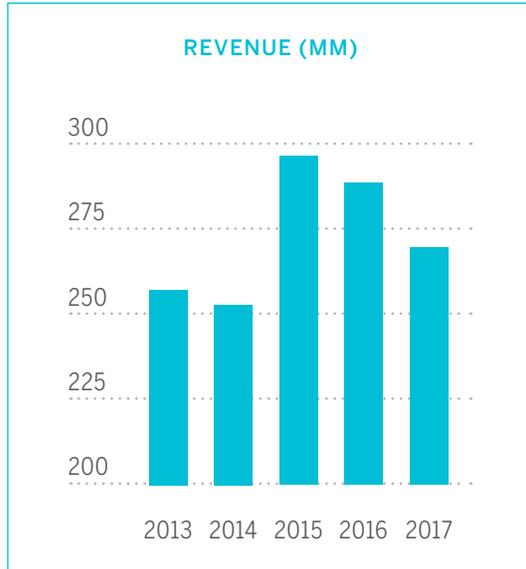
Exploring growth in the Covered California and Medi-Cal patient populations, as there were significant statewide increases in enrollment between 2013 and 2016

**4**

Growing the number of Medicare Advantage patients

## BROWN & TOLAND'S REVENUE, PROFITABILITY & GROWTH

**2017 HIGHLIGHTS** Brown & Toland's 2017 revenue represented a significant turnaround from 2016, while our accountable care organization (ACO) programs, combined with growth in our Medicare Advantage (MA) plans, continued to diversify and grow our overall membership makeup.



■ Commercial ■ Senior ■ Medi-Cal ■ PPO/ACO

**BROWN & TOLAND PHYSICIANS** champions the idea that physician autonomy and human relationships are, and must remain, the foundational building blocks of a more compassionate and effective health system.

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