



ANNUAL REPORT 2019



OUR VISION

DMG physicians will be recognized as leaders in providing high quality, innovative medical care delivered in a compassionate, respectful and responsive way. We will be a trusted partner in training the future healthcare providers in Arizona. We will create an environment to attract and support highly talented, compassionate providers.



A MESSAGE FROM OUR PRESIDENT & CEO

Kote Chundu, MD, MMM

As we embark on 2020, I want to sincerely thank you for making 2019 a year of growth and expansion for District Medical Group (DMG). Your commitment to the health of our patients and our organization has resulted in multiple achievements in 2019, including:

Academic affiliation: During the 2018-2019 academic year, the Creighton University Arizona Health Education Alliance became functional, with several DMG leaders appointed to academic leadership positions at the Creighton University Medical School in Phoenix.

New medical campus: Construction of the Creighton Health Sciences campus, a four-year medical school, began at Park Central Mall, with anticipated 2021 student enrollment.

Community partnerships: In collaboration with Jewish Family & Children's Services (JFCS) and Partners in Recovery, physical health integration to six health clinics was achieved.

Care Reimagined: Supported by Maricopa County voters, Proposition 480 passed paving the way for the former Maryvale Hospital to be reopened as an emergency department and psychiatric hospital in April 2019, marking the first "Care Reimagined" collaboration between Valleywise Health and DMG to support the needs of an underserved community.

Ambulatory expansion: Developing a strategic plan for ambulatory expansion in 2019, we welcomed several independent practices into the DMG family in January 2020.

DMG Children's Rehabilitative Services (DMG CRS): As health plan and provider changes and choices expanded for patients in late 2018, DMG CRS successfully navigated these changes and reinvigorated their brand and multi-specialty clinic in the process.

Provider recruitment: DMG added more than 40 new providers in 2019.

Compensation: Committed to being the medical group of choice for providers and other employees, base compensation increases are under review for 2020.

In 2019, we responded optimally to challenges, expanded DMG strategically and met our financial performance expectations. We have demonstrated that DMG is nimble and capable of not just meeting but leading changes in healthcare. We must continue to stand ready to address the spectrum of value-based care and diversify our revenue streams. I feel confident we have the providers and employees to do so.

I want to thank each member of DMG for the dedication, reliability, support, unique skills and passion you bring to our organization and patients each and every day.

Working together to better the health of our community, DMG is proud to partner with the following healthcare organizations:



A MESSAGE FROM OUR CHAIRMAN OF THE BOARD

Dan Hobohm, MD, MPH
Pathology Chairman,
Valleywise Health



Perhaps more than any in our history, 2019 was a year of evolution for DMG. The Board applauds the efforts of every provider and employee and thanks each of you for your continued commitment to excellence both in patient care and operations.

As you read updates from each functional area, you will see how persistence came together across DMG to optimize the health of our organization and our patients in 2019. Thank you for your commitment to DMG's vision and mission and bringing them to life each day for our patients.

DMG BOARD MEMBERS AND OFFICERS

VICE-CHAIR OF THE BOARD



Phyllis Biedess
Healthcare consultant;
former AHCCCS director



Ted Williams
President & CEO, Arizona
Behavioral Health Corp.

BOARD MEMBERS



Kote Chundu, MD, MMM
President & CEO, DMG



David Wisinger, MD
Chief Medical Officer, DMG;
Internal Medicine Chairman,
Valleywise Health

(NON-BOARD MEMBERS)



Dean Coonrod, MD, MPH
Corporate Secretary, DMG;
Obstetrics and Gynecology
Chairman, Valleywise Health



Chief Risk Officer



Tom Manos
Former Maricopa County
Manager



Chief Clinical
Operations Officer



James Marovich
Attorney, Marovich
Law Firm, PLC



Chief Financial Officer



J. Alan Rawls
Associate Vice Provost
of Clinical Partnerships,
Arizona State University



Chief Human
Resources Officer



Chief Information
& Brand Officer

FINANCE

2019 marked a year of conservative improvements across DMG's balance sheet, including increases in total assets and total liabilities; net assets were also up but just slightly.

Relative to its income statement, DMG's total net revenue outran total expenses, which is positive and expected to remain as such when the 2019 books close; we recognized a seven percent increase in total net revenue and five percent increase in net expenses.

DMG continues to maintain a positive financial position, with a current ratio of more than 2.0; a current ratio of at least 1.0 means that DMG has the capital on-hand to meet its short-term obligations if they were all due at once. Combined with a proven ability to operate in the black and ahead of budget, and total net assets exceeding \$42 million, DMG is in a solid cash position. Through consistent exercise of financial controls, DMG's bank, insurance and other contractual covenants have been met or exceeded.

The Finance, Operations and Pension committees continue to meet regularly to analyze finances and assess performance, while the Audit committee is charged with reviewing and monitoring compliance and controls. This strong discipline and financial checks and balances has and will continue to enable DMG to expand and optimize opportunities in healthcare.

CENTRAL BUSINESS OFFICE

In 2019, Central Business Office (CBO) receipts were above target, and our goal is for that trend to continue in 2020 and beyond. A comprehensive review of revenue cycle operations was completed in 2019, and DMG made the decision to outsource all revenue cycle functions to R1RCM (R1), a leading provider of technology-enabled revenue cycle management (RCM) services. DMG is outsourcing coding/coding education, charge capture, billing, collections, cash posting, and customer service to R1 to increase efficiency and decrease costs. R1 will begin providing these services on March 1, 2020, and we are confident that they will enable DMG to become current and reach a steady state by the end of the year.

CLINICAL OPERATIONS

DMG is committed to industry-leading clinical excellence and demonstrated that commitment throughout 2019.

In 2019, the healthcare industry both locally and nationally continued to change and present challenges; however, our commitment to best-in-class healthcare was unwavering, resulting in exceptional patient satisfaction and quality medical outcomes.

One of the keys to our clinical and operational success was the collaboration between DMG and outstanding health system, provider, health plan and community partners. These alliances have enabled DMG to become a well-respected leader in the community; together, we help each other and our patients navigate the everchanging healthcare climate. One of our key partners is Valleywise Health, with which we collaborated on several initiatives, including Care Reimagined.

I am especially proud of the expansion of services in collaboration with JFCS and Partners in Recovery. Engaging with these two community partners in physical health and integration of behavioral health services resulted in expanded services now being available at JFCS East Valley Healthcare Center.

In addition to supporting patients through our established corporate clinics, DMG CRS and Desert Horizon Integrative Medicine (DHIM), we expanded our ambulatory presence. As part of our growth strategy, DMG is actively acquiring high performing primary care locations across the Valley. For example, M&M Medical Center in Peoria joined the DMG family in November 2019, extending our footprint to the West Valley and bringing a team of experienced providers and clinic staff to our organization.

Expansion will continue to be a key objective in 2020, and we look forward to adding providers and team members that share our passion for high quality, accessible patient care and operational excellence.

COMPLIANCE

2019 was a year of structural changes in the office of Corporate Compliance, enabling improved efficiencies while maintaining effectiveness and value for the organization.

The changes below all contributed to our ongoing vision of optimally supporting DMG in detecting and addressing potential compliance risks.

Leadership: A Director of Compliance was appointed, and the Chief Compliance Officer position was eliminated. This change maintained strong leadership within the team, while providing resources to support additional constructive changes.

Internal Audit Program: To support the volume and competency of our diverse medical group, DMG has engaged Navigant Cymetrix to perform coding and documentation audits. In addition, we added a Risk, Compliance and Regulatory Registered Nurse (RN) to provide enhanced clinical focus within the internal audit program.

Education: In partnership with Valleywise Health, mandated, value-added education for all providers and employees continued to be a priority in 2019. eLearning was evaluated – and continues to be – to reduce duplicative content, promote compliance, and enhance the effectiveness of these learning tools. Your commitment to protecting our organization was evident as timely completion and compliance with required training was high in 2019.

Collaboration: DMG leadership has provided a strong foundation for the Compliance department to thrive, nurturing a culture of interdepartmental communication and collaboration. This collaboration was key in development of DMG's Business Continuity Plan, as well as the partnership between the Risk Management and Information Technology teams to make more in-person training and education available.

While many changes were made, the focus of the Compliance office remains consistent: to reduce potential compliance risks for DMG by being the go-to resource for all departments for processes, tools, education and guidance to safeguard the organization. Thank you for your support of these changes in 2019 and ongoing commitment to protecting our organization.

INFORMATION TECHNOLOGY

In 2019, Information Technology (IT) continued to focus on optimization through improving our technology infrastructure, and business and clinical processes.

Planning and assessment of solutions are critical to ensure we have a network and IT platforms robust enough to support the current and anticipated growth of DMG.

Major accomplishments included the implementation of clinical and business solutions to enhance patient care, improve the patient experience, and leverage automation to reduce waste.

Patient Care: The ability of providers to access patient records securely, regardless of location, is critical to optimal patient care. The first phase of a cloud-based solution to replace the current radiology imaging and reporting system was implemented at DMG CRS. This innovative platform will enable radiologists to securely access x-rays and reports from any location with appropriate connectivity.

Patient Experience: In addition to Phase 1 of the new Patient Portal being implemented, DMG and our patient engagement solutions vendor introduced automated payment reminders, patient surveys, and bill pay online or via telephone with payments automatically posted to our system.

Automation: DMG and Valleywise Health are committed to eliminating paper transferred between the organizations for coding and billing. A significant portion of this automation initiative was completed, with the beginning phases of computer-assisted coding leveraging technology to automatically process charges, if possible, based on coding and documentation.

From an internal perspective, ensuring the backbones of our systems are current, flexible and resilient were the objectives of 2019. Updating all computers to Windows 10 and designing a new network infrastructure that is flexible, redundant and will support our growth were key. In addition, we successfully executed an email filtering replacement and began work on our Web filtering solution to enhance information security across DMG.

Initiatives planned for 2020 will ensure our IT solutions are nimble and can be adapted to meet our growth as well as external opportunities and/or risks. 2020 initiatives include:

- Execution of a data loss prevention solution
- Replacement of the mobile device management and device encryption tools
- Implementation of our new, improved network infrastructure
- Introduction of Phase 2 of the DMG Patient Portal, including online pre-registration documents, and a provider scheduling tool pilot integrated with DMG's human capital resource management solution, so schedule changes are automatically reflected in payroll
- Continued technical collaboration with R1 to support optimal revenue cycle management

DMG is growing and the external environment continues to present our organization with opportunities and challenges, which require a strong, flexible and robust technological foundation. Partnering with departments across DMG, our healthcare partners and industry-leading vendors, DMG IT will ensure our organization has the required technology infrastructure to meet the demands of 2020 and beyond.

MARKETING AND COMMUNICATIONS

2019 was a year of continued evolution of the DMG brand both internally and externally. As one of the largest independent medical groups in Arizona and a leader in medical education, our goal was to bring these strengths to life through employee communications, marketing tools, digital assets, and our logo.

Employee Communications: DMG's quarterly employee newsletter, *The District*, continued to be published to educate and engage employees.

Marketing Tools: Collateral, like fact sheets, was created to support business development through direct patient acquisition as well as provider referrals. DMG CRS and DHIM were among the benefactors of new fact sheets and other marketing tools.

Digital Assets: With the goal of increasing engagement, a greater number and variety of posts were shared by DMG and DMG CRS on social media, including Facebook, Twitter and/or Instagram. In addition, content and visual updates were made to corporate websites to improve search engine optimization (SEO) and engagement with DMG among current and potential patients.

Logo: DMG CRS saw the introduction of a new logo in 2019, and the marketing team also worked with vendors to design a new DMG logo. Introduced in January 2020, the new DMG logo will be accompanied by new signage, marketing materials and more to bring the brand to life for our employees and patients.



DMG is a strong brand built on the passion and commitment of dedicated employees and providers. In 2020, our goal is to continue to utilize both internal and external communications and marketing tools to spread that infectious energy across our organization, to our partners and throughout the community to support the health of DMG and our patients.

OUR CORE VALUES

Quality: Provide the best medical care available to our patients.

Professionalism: Meticulous adherence to undeviating courtesy, honesty and responsibility towards patients and colleagues.

Partnership: Pursue our clinical, academic and research missions with Valleywise Health, Creighton University, Dignity Health, University of Arizona College of Medicine and community partners.

Respect: Respect the individuality and diversity of our patients and colleagues.

Integrity: Assure patient safety and the best clinical outcomes through optimization of resources.

Education: Dedicated to outstanding education and training programs for healthcare providers.

Research: Continued commitment to clinical research, improving the health and well-being of our patients and their communities.

OUR MISSION

To improve the health and well-being of individuals in Arizona based on a balanced program of:

EDUCATION

RESEARCH

COMMUNITY SERVICE

Bold and modern, the new DMG logo utilizes the existing teal and blue colors from our previous logo while adding a contemporary gray and invigorating orange to create a “diamond.” This combination of colors honors the rich history of DMG and builds on it to bring to life our nimble, transformational culture. Most importantly, the four colors in the logo represent the four pillars of our DMG mission.

FOR MORE INFORMATION:

DMGAZ.org

 [DISTRICTMEDICALGROUP](https://www.facebook.com/DISTRICTMEDICALGROUP)

 [DMG_AZ](https://twitter.com/DMG_AZ)



DMG

DISTRICT MEDICAL GROUP

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