



AHP

2023
IMPACT REPORT



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In Spring 2023, AHP released its inaugural impact report outlining the firm's commitment to incorporating Environmental, Social, and Governance (ESG) principles into our investment strategy and operations. We were inspired to take this step after talking to our investors – who are committed to a strong ESG agenda – as well as various stakeholders in the healthcare industry. Our reasoning was simple: ESG is good business for our companies and for the communities we serve, and we had advanced our progress in many impact areas worth highlighting to our stakeholders.

Societal expectations for sustainable practices continue to reshape healthcare's economic and business landscapes. According to a recent survey, a majority of healthcare industry executives now believe that thorough ESG reporting leads to several positive outcomes for healthcare companies, from enhanced brand reputation and a higher quality workforce to reduced risk.¹

In 2023, we mandated that the entire AHP investment team complete formal **ESG training**. In addition to helping ensure that our internal operations and policies aligned with the most up-to-date principles of ESG, the training also provided the investment team with an additional lens for evaluating potential investment opportunities. Our ESG Committee also created an **ESG due diligence checklist** that the investment team now incorporates into the investment screening process. This ensures any company added to AHP's portfolio meets or is capable of meeting certain industry-specific, value-generating ESG standards. Such metrics include assessing whether certain health and safety policies are in place, as well as the ability to measure quality of care and patient satisfaction. We believe that incorporating these metrics into the Investment Committee review process enables AHP to not only build a strong, risk-adjusted portfolio for our investors but also enhance our ability to support our portfolio companies along their individual ESG journeys.



JIM PIERI
Managing Partner

In last year's report, we discussed our intent to improve our data collection process, both internally and within our portfolio companies, moving away from observational, qualitative assessments to more comprehensive, quantitative metrics. As part of this effort, AHP became a signatory of the **ESG Data Convergence Initiative (EDCI)** in June 2023. The EDCI exists to drive convergence around key ESG metrics for private markets reporting. It does so, in part, by granting participating investment funds access to a structured framework for measuring efforts within an agreed-upon set of categories that span the ESG spectrum.

In addition to joining the EDCI, AHP partnered with Novata, an industry-leading ESG data collection and analytics platform, in an effort to more seamlessly collect, manage, measure, and act on ESG data across our portfolio companies. In 2022,

¹ <https://www2.deloitte.com/us/en/pages/audit/articles/esg-survey/life-sciences-healthcare-companies-sustainability-reporting.html>

we acknowledged that we were particularly focused on social and governance impact areas, where we thought our industry experience and portfolio company exposure most immediately aligned. Looking ahead, using resources provided by Novata, we are excited to compare our efforts and performance in all key ESG areas – including more environmental categories – to those of our peers. Already in 2023, 78% of our portfolio companies reported Scope 1 emissions data, and 67% reported Scope 2 and 3 emissions data. That which is measured has the greatest opportunity for improvement. This engagement and transparency will allow us to seriously consider the commitments we can make in the future and prioritize those that will be most impactful within the healthcare industry.

Within our portfolio companies, ESG is now a required annual topic of discussion for every Board. In addition, 100% of our companies – up from 80% in 2022 – have adopted strong standards and policies regarding harassment, discrimination, and data privacy. Moving forward, we plan on making the installation of these policies (and other good governance policies) for new portfolio companies an early, post-close initiative so that they become defining characteristics of our portfolio. Ultimately, we want our companies to set and meet their own ambitious ESG targets, and our ESG goals for 2024 are oriented around facilitating such progress within our portfolio companies. Our portfolio companies vary in

size and how far along they are in their impact journeys, so individual company goals will naturally vary.

As you'll see in the following pages, many of our portfolio companies have already implemented meaningful ESG-minded policies or programs that drive authentic, improved outcomes for the healthcare populations they serve, the communities in which they operate, and the stakeholders who are invested in their success.

It bears repeating: ESG is good business. While the business case for ESG integration in the companies we work with is already clear, we believe it will grow even stronger in the future. As the pandemic demonstrated, during bouts of severe disruption, individuals need and expect healthcare organizations to ensure the well-being of their workers and the communities they serve. We believe companies that succeed in having the appropriate infrastructure, governance, and policies in place can generate significant value for multiple stakeholders. It's for this very reason that we took steps in 2023 to formalize our commitment to sustainability in significant, measurable ways.

In the past year, the private equity industry has coalesced around the idea that ESG metrics should focus on materiality and help firms generate value, while mitigating risk within their specific industries. At AHP, our domain expertise has enabled us to focus on the most significant impact levers within healthcare, and the progress we made in 2023 should

AHP 2024 Goals

- 1 Encouraging and promoting diverse hires across AHP, our portfolio companies, and on our Boards
- 2 Improving efforts related to carbon emission tracking at the portfolio company level, as well as overall efforts around assessing the environmental impact of our portfolio
- 3 Encouraging our portfolio companies to prioritize ESG, and potentially designate a specific ESG-focused liaison

set up our portfolio companies and communities to realize the transformative benefits of ESG well into the future. We look forward to building on our many successes in 2024.

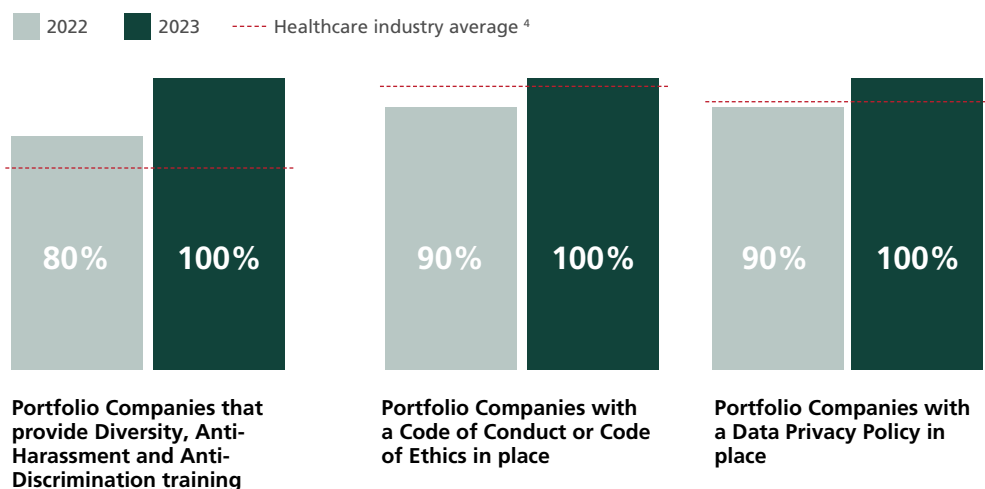
JIM PIERI
Managing Partner

2 According to EDCI, Scope 1 emissions are "direct emissions due to owned, controlled sources accounted for using GHG Protocol"; Scope 2 emissions are "indirect emissions due to purchase of electricity, heat, steam, etc. accounted for using GHG Protocol"; and Scope 3 emissions are "All other indirect emissions accounted for using GHG Protocol." <https://esgdc-cdn-1.s3.eu-west-2.amazonaws.com/wp-content/uploads/2023/04/20141950/2023-EDCI-Metrics-Guidance.pdf>

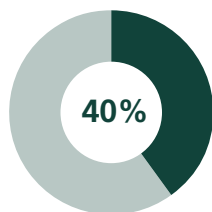
3 <https://www.pwc.com/gx/en/issues/megatrends.html>

OUR IMPACT

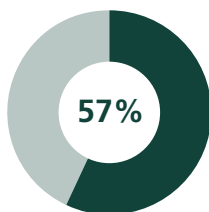
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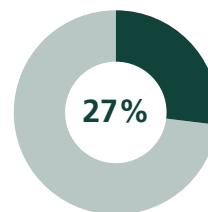
2023 LEADERSHIP DIVERSITY



Across 47 reported Board Members at AHP Portfolio Companies, **nearly 40% are a member of a minority or under-represented group**



Across all Executive and Senior or Mid-official Managers for AHP Portfolio Companies, **57% are made up of female or non-binary employees⁵**



Across all Executive and Senior or Mid-official Managers for AHP Portfolio Companies, **27% of employees are under-represented ethnicities or minorities⁵**

2023 DATA COLLECTION

78%

of AHP Portfolio Companies elected to report Scope 1 emission data, compared to last year's count of 0

67%

of AHP Portfolio Companies elected to report Scope 2 & 3 data, compared to last year's count of 0

⁴ This report was generated using benchmarking data provided by Novata, Inc.



Improving patient outcomes with a more holistic, integrated, and standardized approach to recovery

Approximately 1 in 5 Americans reported experiencing a mental illness and more than 15% of adults reported having a substance use disorder in the past year according to Mental Health America's 2023 "State Of Mental Health In America."⁵

Promises Behavioral Health (PBH) is a leading provider of mental health and substance use disorder treatment services that operates in Massachusetts, Pennsylvania, North Carolina, Georgia, Tennessee, Florida, and Texas. PBH treats those who suffer from all forms of mental health conditions (psychiatric illnesses such as depression, anxiety, and mood

disorders; trauma related to abuse, neglect and PTSD, etc.) as well as chemical-related dependencies or behavioral addictions, either co-occurring or occurring in isolation.

In recent years, a growing body of evidence has shown that behavioral health outcomes improve when treatment plans include systemic family therapy and implement measure-based care protocols. An article from the Journal of Marital and Family Therapy reviewing the results of multiple studies from 2010-2019 summarized: "[Substance use disorder] treatment programs and practitioners should routinely offer couple and family therapies as a standard-of-care option."⁶ Measure-based care, the practice of basing clinical care on client data collected throughout treatment, is also associated with decreased costs and a lower likelihood of patient deterioration while in treatment.⁷ Unfortunately, the majority of the behavioral health industry has yet to catch up with the data. Neither family therapy nor measure-based care are part of routine practice within treatment programs, nor are they part of traditionally reimbursed payment models.

PBH has recognized the need to adopt these advanced and best practices as it continues to enhance its clinical offering. In January 2023, PBH hired Trish Caldwell, a marriage and family therapist,

⁵ <https://mhanational.org/issues/state-mental-health-america>

⁶ <https://onlinelibrary.wiley.com/doi/epdf/10.1111/jmft.12546>

⁷ <https://jamanetwork.com/journals/jamapsychiatry/article-abstract/2718629>

This evolution in clinical programming has the opportunity to meaningfully improve long-term outcomes in what has historically been a challenging chronic disease area.

FAMILY CONTACT

30%

family contact rates improved 30% from Q1 to Q3'23

90%

of PBH cases now reporting successful family contact

PROGRAM COMPLETION

67%

of patients completed their treatment program after the program launch, up from 52% prior to launch

4 points

discharges against treatment advice dropped from 19% prior to launch to 15% after launch

2.4 days

increase in average length of stay post program launch



licensed professional counselor, and nationally recognized expert in the behavioral health field, to oversee the organization's transformation toward a more effective and standardized model of care.

"This is a huge piece that historically has been missed in behavioral health," said Caldwell of family therapy, where family can mean traditional families, chosen families, or other support systems. It's also how she believes PBH will be able to increase recovery rates moving forward: "The research shows that when you involve the family, patients get better." Caldwell quickly hired two accomplished family therapists and installed them at the corporate level. They're tasked to work across the treatment centers, training site leaders, and individual therapists on how to engage families during treatment, prepare patients and

their families for life post-discharge, and assist with setting up aftercare treatment.

The evidence-based program that Caldwell spent the year developing and piloting – first in Texas and now across all of PBH's sites – requires a retraining of staff across all locations, new documentation processes for capturing post-release risk factors like housing and employment, a more robust approach to aftercare, and a cost-effective redistribution of resources to assist PBH's highest need patients.

Everything Caldwell has done since joining PBH as Senior Vice President of Clinical Services has been in service of improving the outcomes for its patients. "Not just while they're at Promises," she clarifies, "but 30, 60, 90 days later," when patients are adjusting to their new realities and are uniquely



We are moving toward a skills-driven program so that our patients have the tools they need to continue their recovery journey and understand the importance of a full continuum of care.”

TRISH CALDWELL

Sr. Vice President of Clinical Services at PBH

vulnerable to destabilizing triggers.

In addition to emphasizing family therapy, the program also includes a transition to trauma-informed care. This shift engages patients throughout the recovery process and helps train them to know their own triggers, develop coping techniques, and arrange for aftercare. “We are moving toward a skills-driven program so that our patients have the tools they need to continue their recovery journey and understand the importance of a full continuum of care,” Caldwell said.

Crucially, PBH’s new approach includes the use of assessment tools, which, according to Caldwell, will enable PBH to drive measure-based care and should have a positive impact on PBH’s value-based contracting model. Data has begun rolling in from its launch site in Texas, and the initial findings are encouraging:

- Family contact rates have increased almost 30% from Q1’23

to Q3’23, with nearly 90% of cases reporting successful contact;

- Treatment completion rates are up, too, from 52% four months prior to the launch of the program to 67% after launch;
- Discharges against treatment advice have dropped from 19% four months prior to launch to 15% after launch;

- Patients are staying longer to complete more phases of care in their treatment programs in order to manage through the underlying skill gaps and mental health triggers, which has been recognized in the industry as a critical factor leading to more effective aftercare engagement. Four months prior to launch, patients stayed with PBH an average of 17.05 days, compared to 19.45 days after launch.⁸

Patients are staying in the program longer to utilize their authorized coverage. The contact with and education of family (or some external support system) likely means that patients will have better long-term outcomes as well.

PBH needs a year’s worth of data from every site before Caldwell can confidently determine if the changes are scalable. For now, she and PBH’s CEO Scott Sasserson are focused on ensuring the fidelity of the new processes and program design – implementing cross-site, standardized care and “repeatable, consistent experiences” so that, in the future, they can use their data to drive interventions and optimize their measurement-based, family-focused approach.

“You build healthier families,” Caldwell said, “and people will get better.”

⁸ Post-launch statistics reflect data through November 2023.



Increasing access to quality cardiovascular care in rural America

In rural America, two separate but well-documented healthcare issues have converged to create a major medical crisis. The first issue is the overwhelming presence of cardiovascular disease, the leading cause of death among Americans.⁹ The second issue, better documented in the last few years amid the COVID-19 pandemic, is the healthcare worker shortage. As of September 2022, 65.6% of Primary Care Health Professional Shortage Areas (HPSAs) were located in rural areas.¹⁰ This shortage exacerbates difficulties surrounding rural access to quality care – and health outcomes as a result.

A recent study conducted by the National Institute of Health revealed that adults living in rural areas of the U.S. have a 19% higher risk of

developing heart failure compared to their urban counterparts.¹¹ They are also more likely to exhibit risk factors like high blood pressure and engage in adverse behaviors like smoking, according to the CDC.¹² The overwhelming presence of cardiovascular disease in remote parts of the country that lack access to quality healthcare threatens the well-being of millions of Americans. It is a crisis in desperate need of more innovative solutions than the traditional healthcare delivery system has historically provided.

AHP is proud to work with Heart & Vascular Partners (HVP), a company that is working hard to close the striking health gap between rural and urban America with solutions that drive sustainable value creation for multiple stakeholders. HVP is a management services organization that provides non-clinical services to support independent cardiovascular practices and physicians. Such services include scaled administrative assistance with back-office tasks related to HR, finance, IT, and marketing.

HVP also provides strategic and capital support to its partner practices to develop outpatient networks in smaller cities and towns where the nearest hospital may be more than 60 miles away. “There are a lot of sick people in places that don’t have full access to what has historically been higher cost but higher quality specialty care,”

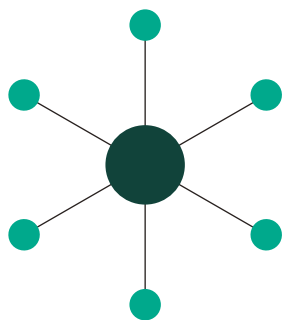
9 <https://www.cdc.gov/heartdisease/facts.htm>

10 <https://data.hrsa.gov/Default/GenerateHPSAQuarterlyReport>

11 <https://www.nih.gov/news-events/news-releases/risk-developing-heart-failure-much-higher-rural-areas-vs-urban>

12 <https://www.cdc.gov/ruralhealth/about.html>

HVP's hub and spoke strategy allows them to help underserved communities and increase access to preventive and episodic cardiovascular care that people otherwise wouldn't receive.



A COMMUNITY IN NEED

19%

of adults in rural areas in the U.S. with a higher risk of developing heart failure compared to their urban counterparts

65.6%

of Primary Care Health Professional Shortage Areas (HPSAs) were located in rural areas, as of September 2022

15

clinics under HVP servicing rural and indigenous communities with limited access to care

explained HVP's CEO, Bill Drehkoff.

HVP's mission to support physicians who provide valuable cardiovascular care to those in need is also a sound business model that creates value for HVP's investors, employees, and the communities they serve. The company accomplishes this, in part, by applying a hub and spoke strategy to its expansion efforts. "When we think about where we want to invest and which sort of practices we want to support, one of the key elements we consider is the growth potential from expanding into new geographies," Drehkoff said.

Specifically, HVP targets secondary markets or mid-size cities like Oklahoma City, where there is a critical mass of clinical talent with which HVP can partner and use to access adjacent, rural geographies. The strategy allows HVP to extend outreach into

underserved communities and increase access to preventive and episodic cardiovascular care that people otherwise wouldn't receive. Life-saving diagnostics and clinical consultations are routinely provided to rural patients in need, aiding in the prevention of potential acute episodes, and reducing strain on rural emergency facilities. "That's how we begin to put spokes against that hub," Drehkoff said.

If, however, a rural patient visits one of HVP's rural clinics and receives a PET scan that reveals the presence of an emergent issue, they will receive assistance in setting up an appointment for a procedure at the clinic's hub (the Oklahoma City office location). This is better than the alternative, Drehkoff said, in which patients often wait while the "condition progresses until they walk into a community hospital E.R."

One of the most interesting





aspects of HVP's business model is that a significant portion of the population it serves is eligible for Medicare. While Medicare is often begrudged in healthcare circles as a barrier to profitability,¹³ HVP's efficient operating model generates sustainable profits with Medicare rates. The same isn't necessarily true for other specialties like orthopedics, where specialists rely on larger premiums from commercial payers and often target higher-income (and more concentrated) populations.

"It's a real challenge for specialists to staff providers and deliver care in more rural markets at sustainable margins, and as a result, you tend to see gaps in access," Drehkoff said. "But for cardiology, it's really important that we're able to access these rural populations." HVP's unique hub-and-spoke model

helps address unmet needs in a way that maximizes the efficiency of resources. The end result for HVP is an economic engine that provides competitive stability while the company works to fulfill its mission of expanding healthcare access to the underserved.

Looking ahead, HVP has ambitious plans to add more spokes and hubs to its network of clinical practices, including a potential surgical center in Oklahoma with proximity to local indigenous communities. The initial results coming out of HVP affirm AHP's belief that solving the access problems in some of the highest-need service areas in healthcare can be appropriately supported by payers and drive substantial value in underserved communities.

"It's a real challenge for specialists to staff providers and deliver care in more rural markets at sustainable margins, and as a result you tend to see gaps in access...But for cardiology, it's really important that we're able to access these rural populations."

BILL DREHKOFF
CEO of HVP

¹³ <https://www.chiefhealthcareexecutive.com/view/hospitals-with-more-medicare-patients-are-more-likely-to-close-or-be-acquired>



**Tailored Capital.
Specialized Resources.
Multiple Routes.**

If you're interested in learning more about AHP's investment strategy, portfolio, or a potential partnership, please visit [AHPartners.com](https://ahpartners.com) or contact InvestorRelations@ahpartners.com

Who We Are

AHP is an independent healthcare investment management firm. Our senior healthcare specialists have invested or managed over \$3 billion in capital across the healthcare landscape. Our mission is to create shared value in the healthcare industry.

What We Do

AHP extends its human and financial resources to healthcare companies that exhibit the potential to drive compelling, risk-adjusted returns for investors while making a positive impact on the communities they serve. We deploy tailored solutions and specialized resources to improve the function and performance of businesses, and we strategically pursue investment opportunities in companies that are at an inflection point of change. Our deep industry expertise allows us to support a variety of business plans and transaction types.

How We Do It

At AHP, we focus on business models and operational strategies that enable cost-effective, quality-enhancing services within the U.S. healthcare system. We target companies with clear, quantifiable value enhancement levers that offer essential, non-cyclical services. Our investments are long term, and we work closely with management teams on multi-year plans, supporting them with leadership development, talent acquisition, operational enhancement strategies, strategy and business model development, capital allocation, capital structure management, growth investments and strategic acquisitions.

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