

Lowering the Cost of Care for Hospitals, Patients and Offering Investment Opportunities to Physicians with Aric Burke CEO of Atlas Healthcare Partners

Aric Burke 00:00

If you really think about healthcare, it's a big ecosystem. And, how do you try to connect the dots of the delivery network? And a surgery center fits into that as part of the much broader Banner Network. And that's ultimately a big benefit to the surgery center and to the physicians involved. All the centers are branded as Banner Surgery Center, which I think is a quality stamp. And I think it gives patients and physicians more confidence in terms of the product that they'll receive. So, it's a great partnership. That's the whole point of a surgery center partnership. And our model is that there's the health system partner, which is Banner, the management company partner, which is Atlas, and then all the physician partners, and everybody brings value and benefit to the relationship.

Trisha Talbot 00:43

This is the Provider's Properties and Performance Podcast, the podcast that brings together leaders in healthcare and investment real estate to consider the possibilities and future at the intersection of practicing medicine and healthcare real estate investment returns. Welcome to the Providers Properties and Performance Podcast. I am your host, Trisha Talbot. As a Healthcare Real Estate Advisor to providers and investors, the best solutions occur when the two collaborate together as partners in delivering better patient care. Providers can deliver care to their patients when and where they need it. And investors realize the returns to build and manage facilities. We explore changes in medicine and wellness, the future of healthcare and using real estate as a strategic and financial tool.

Trisha Talbot 01:25

Welcome to this week's episode of the Providers Properties and Performance Podcast where I interview Aric Burke, CEO of Atlas Healthcare Partners. Atlas owns and operates ambulatory surgery centers together with Banner Health throughout its markets. We talk about the ASC's role in the healthcare ecosystem as well as Atlas's business model, where it not only offers a convenient location for its patients and a lower cost of care for both the hospital and the patients, but also allows the physicians a convenient way to perform its cases, as well as be entrepreneurial investors in both the operation and the real estate. So welcome, Eric. And I hope you enjoy this interview. Thank you.

Trisha Talbot 02:16

Eric, welcome to the Providers Properties and Performance Podcast.

Aric Burke 02:20

Thanks, Trisha. I appreciate it.

Trisha Talbot 02:21

So, we initially met when you were with another ASC operator, and now you're with Atlas Healthcare Partners. So, tell me the background of Atlas.

Aric Burke 02:29

Yeah, thanks. That's a good question. So, my career has really been largely in outpatient surgery center development and management. We had an opportunity in 2018 to work with Banner Health. They were looking to develop an outpatient surgery center network and strategy and asked us, me and my partner Vaughn, to start Atlas basically as a new company, to be that partner for them. And as part of that partnership, we manage all of their surgery centers, which their markets are all of Arizona, primarily Phoenix and Tucson. But I do think that'll expand into other parts of Arizona over time, as well as Northern Colorado, the Greeley, Fort Collins, Loveland area. Banner has also acquired a hospital in eastern Wyoming, which will probably be added to the market as well. So, we manage their centers for them, which we could talk about in more detail. And then we also help them with their surgery center strategy, which leads to the development of the network. So, we've helped them acquire multiple new centers to add to the network, and then develop from a de novo Greenfield standpoint, new centers. So, our role is to develop, manage and then co own the centers with Banner and physicians.

Trisha Talbot 03:48

Well, and I know many listening will already know what an ASC does, but for those that don't, how does an outpatient surgery center operator like Atlas Healthcare Partners benefit health system, like Banner physician group in owning and operating the ambulatory surgery center, or ASC for short?

Aric Burke 04:06

Yeah, that's a good question. So, we provide the day-to-day management and operations, expertise and support. And so, our team does everything operationally from helping to identify new physicians who are looking for a place to do surgery. The benefits of surgery centers are significant. They're convenient for the surgeon and the physicians, as well as the patient. You don't have to go to typically a large hospital, there's easy parking, you're in and out. And so, it's a very efficient, convenient experience for both physician and patient. And then it's high quality. I believe that our quality in a lot of ways is higher than what you'd find in an acute care setting, because all we do is outpatient surgery, whereas hospitals obviously do other things. There's higher risk of infection. Obviously now with COVID, we are COVID free, we test all patients prior to day of service. So, I think we provide that quality that everybody's looking for. And then additionally, it's more affordable. The industry is really moving outpatient because of costs more than anything. The insurance companies obviously see that there's a savings opportunity for them. The patients are now being stuck with the bill more and more. So, between coinsurance and deductibles, patients are becoming consumers, and they're looking for lower cost options. And then physicians are able to invest into surgery centers. They're more convenient for the doctors, more efficient. Plus, they can have a financial return on their investment. So, they believe that surgery centers are a better option for them more and more. And then the health systems themselves, Banner included, now sees that, really healthcare is being delivered through a network. And it doesn't all run through a centralized acute care hospital. Banner is trying to build out a network of providers, facilities and physicians and other clinicians, that can treat you where you need to be treated. So, the right price at the right time to keep you as healthy as possible. And Banner has also invested into insurance products themselves. And so, that cost of care is now something that they're motivated to really bring down as well.

Aric Burke 06:31

So, what we do is provide the professional management of the surgery center. And there's a lot that goes into the management of it. We do everything from that support and oversight to providing the accounting, the financial reporting, the payroll, the legal support, the compliance, the HR services. All the employees are Atlas employees, including the nurses, the techs, everybody who works in the center as an Atlas employee. So, we manage the HR, the benefits, the payroll, everything that goes with that. The IT, we ensure that all the systems are in place and working properly. Clinical support to ensure that that safety and quality is the highest level. The marketing for the center to ensure that they can continue to grow, add more physicians, add more cases. Managed care support, which is really big benefit of the partnership with Banner is that we're able to contract with the insurance companies as an affiliate of Banner Health, which allows us to, I think, have more size and scale when we're negotiating, than as a single surgery center. But we provide that strategic expertise, purchase services, how you contract for various services within the center, the revenue cycle, which is all the coding, billing, collections aspect. We also help with the supply chain, the physician credentialing, the workforce management. So, there's a lot that goes into managing a surgery center, and we provide that basically full service.

Trisha Talbot 08:05

And for a healthcare company like Banner, like you said, they're able to build a network. And I would think that it allows them to focus in the hospital on those surgeries that need to be done in the hospital, and really be able to specialize in those and have an expertise in those. And then also by partnering with ASC, don't you think that they get more of a volume of surgeries than capacity that they have at the hospitals, as well?

Aric Burke 08:33

Yeah, exactly. Hospitals have to provide care to all types of patients, both people needing surgery and everything else. And so, it's hard to be very specialized, obviously, in outpatient surgery when you're built like that. So, I think Banner and other health systems have realized that it's better to hire an expert who can be your partner and help really deliver that exceptional performance in that setting. And then they can obviously focus on running the hospitals, which is their core competency. And so, it's a great partnership. I think we all bring something to the table. Banner is an excellent partner. The managed care I mentioned, that's a significant benefit. They also bring capital. They've helped us with financing of the centers. They guarantee the leases and the loans that the center's take on, which is a major benefit for the physicians involved. They also have the capital to invest into centers, build centers, they align the centers with the Banner Health Network, which is becoming very large, everything from the primary care physicians to the employed surgeons, the employed surgeons are allowed to invest in the Banner Surgery Centers.

Trisha Talbot 09:43

That was going to be my next question.

Aric Burke 09:45

Yeah, that is actually really unique. A lot of health systems don't allow that, but it really creates kind of a level playing field where it's helped Banner to recruit more surgeons that want to be employed, as well as retain those physicians within their group. Because us physicians can then have an additional income stream and see that Banner is maybe a little bit more leading edge actually, in terms of how to look at your practice. So, we've, I think kind of connected the dots. If you really think about healthcare, it's a big ecosystem. And, how do you try to

connect the dots of the delivery network, and a surgery center fits into that as part of the much broader Banner network. And that's also a big benefit to the surgery center and to the physicians involved. All the centers are branded as Banner Surgery Center, which I think is a quality stamp. I think it gives patients and physicians more confidence in terms of the product that they'll receive. So, it's a great partnership, that's the whole point of the surgery center partnership in our model is that, there's the health system partner, which is Banner, the management company partner, which is Atlas, and all the physician partners, and everybody brings value and benefit to the relationship.

Trisha Talbot 10:57

Do you have specific ASCs for specific types of surgeries or are they multi surgery? Or do you have some that are orthopedic, some that maybe do other things?

Aric Burke 11:07

Yes, good question. The best way to look at a surgery center is it's its own business. So, they're all separate businesses, they all have their own LLC, their own tax ID. And each one needs to have its own strategy. And the best success model, in my opinion, is that you find the right surgeons who want to invest into that. In our model the surgeons can own up to 49% of the center. And the reason for the 51% is that Banner can then contract with their managed care on behalf of the center. And so, that's a strong financial benefit. But the physicians then get to really have a lot of involvement in the strategy and the success of the center as 49% owners. And so, it kind of depends in terms of some centers are large, multi-specialty centers, the ones closer to big hospital campuses. But we also have others that are very focused on doing just GI for example, or just orthopedics or just pain management. We are opening two that are going to be just cardiovascular-focused, which is a very emerging service line from an outpatient standpoint. So, it really depends on the strategy of that center. And then you work together to optimize the strategy.

Trisha Talbot 12:22

And where are some geographic areas that Atlas is targeting for growth?

Aric Burke 12:27

Yeah, so I think, being a relatively new company, we've focused really just on obviously, Banner markets, which Phoenix has been a major focus. Phoenix is a huge, huge area with tons of opportunity. When we started, we kind of took over the eight original Banner centers. Six of them were in Phoenix, and we now, of the eight, has grown to 18. And then by the end of this year, we'll actually be at 25 centers. And we've done that by growing all markets. So, Phoenix has grown significantly, from east to west, north to south. Tucson, we now have two centers in Tucson, which they didn't have any previously. And we now have three centers in northern Colorado, and they started with two. So, we really are looking at each market and growing each one. I think there's lots of opportunity all across the board.

Trisha Talbot 13:17

And when Atlas is considering a site, what are some of the key ingredients you look for to make a site attractive?

Aric Burke 13:23

Yeah, the number one thing is physician convenience. You want it to be easy for the physicians, because that's ultimately our job is to provide a service to the doctors. They're using this center to do surgery. And so, you want it to be obviously, convenient for them, easy to get in and get out. Best case scenario, it's in the same building as their practice. That's the ultimate in convenience and efficiency. But you don't want to have to get in your car and drive through traffic to get to your surgery center. A lot of times they're located near hospitals too, because the doctor is going to be on campus for other things and they can do their surgery while they're on campus. Convenience is the number one factor.

Trisha Talbot 14:05

Yeah, and I think I've said this in another interview as well. You want a surgeon, if they're focused on surgery for the day, to be focused on surgery for the day. And just do that, kind of like muscle memory for an athlete. You just want to keep them focused so that they can keep perfecting their craft.

Aric Burke 14:21

Yeah, time is money for doctors. That's definitely how they make their living. And so, you want to help them be as efficient as possible and really come in and, that's what surgery centers do well is they're very focused. You come in, you do your cases, and then you go on to the next thing that you have to do that day, whether it's clinic or time of your family or rounding at the hospital, but when you're in our center, we want it to be very efficient for you so you have a good use of your time.

Trisha Talbot 14:49

Absolutely. And so, does Atlas prefer to build facilities from the ground up, redevelop existing facilities or lease properties?

Aric Burke 14:56

All the above, really. I think we again, kind of look at the strategy as well as the physicians that we're working with. We've done everything from building new medical office buildings with partners, obviously, developers and real estate brokers but, developed a new Greenfield MOB, that a surgery center would be part of. We have a couple of those projects underway. So, that's a tenant improvement. On the surgery center side, the surgery center is typically the tenant, and they'll sign a lease. The physicians can also participate on the real estate side through a separate ownership entity. So, that gives them another investment opportunity, another income stream. But typically, the surgery center is just tenant in a building. Generally, it doesn't make sense to build just a standalone surgery center when you think about the cost of land, the site costs, the core and shell costs, it's better to share those costs with other tenants. So typically, we're in a medical office building. We do go in and take over closed surgery centers, if there's a strategy to do that. Sometimes you've got to bring them up the code, which is definitely something to look into. You've got to be careful with all the different regulatory requirements. We can help bring them up to code, get them reopened. And then we've acquired a lot of centers, too, where somebody else has actually developed them, opened them, and then we go and buy it as investors and partners.

Trisha Talbot 16:23

So, you touched on regulation. You were talking about space, but how has healthcare policy and regulation just affected the ownership, structure and operation of an ASC and reimbursements and all of that?

Aric Burke 16:36

Yeah, that's good question. It's, crystal ball, probably. But I think, surgery centers are very well positioned. I can't think of a business that could maybe be better positioned, because everything is moving outpatient. The federal government, very much like surgery centers, they use Medicare reimbursement to incentivize shift out of hospitals. CMS or Medicare pays a surgery center about 60% of what it pays a hospital for the exact same case. Because hospitals have other overhead and other services. And so, it's just more expensive. But the government sees that, they're trying to push things more and more outpatient. So total joints, we're starting to do a lot of outpatient, same day, total knees, total hips, total shoulders. Cardiovascular is a great example of formerly high acuity cases, that are still high acuity, but it can be done safely with the proper equipment, proper technique in a surgery center, at a much lower price point. Spine, pretty high acuity spine is now becoming very common in surgery centers. It's kind of a race, a lot of times like the Medicare and the commercial payers, all see the opportunity to reduce costs.

Aric Burke 17:50

And so, they're both really incentivizing surgery centers to do more and more, which is a great place to be for us. Arizona is a very business-friendly state at this point, from a regulatory standpoint. So, it's relatively, it's not very onerous, I'd say, to get a license to operate. Medicare has certification requirements that you have to meet in order to be Medicare certified. We are all accredited in our centers through third party accreditation. We use the Joint Commission. And then the payers have their requirements. But I think that's the benefit of working with Banner and Atlas. We have that expertise. That's kind of the minimum requirement. We know how to go above and beyond to ensure that we can remain fully compliant.

Trisha Talbot 18:34

And when you're trying to get all of these physicians' input, allow for a free flow of information and stuff, how do you manage that and manage and administer physicians input on the ASC operations and its facilities, and for each one, which will have different partners?

Aric Burke 18:51

Yeah, that's actually the fun part, in my opinion, is that they are partnerships. And I think if you look at them as partnerships, that can be very fun and fulfilling for everybody. So, our structure is that the physicians actually appoint or elect other physician investors of the partnership to be on a board. And so, they're limited liability companies that's managed by a group of managers. And so, the physicians elect their managers to be on the board. Banner Atlas has its managers on the board. And then there's an operating agreement that spells out how you vote, what are the decisions that the board has to approve at a majority level versus a supermajority level. So, the doctors are ultimately confident that they have a lot of control and input over the direction of the business, the financial performance, the operational decisions, and that's key in my mind is that the doctors are truly engaged and have the input and control that they need to ensure that it's a good investment, but it's also a good place to work. And so, when you structure it right, it can be very successful for everybody.

Trisha Talbot 19:59

Talking about how ASCs got started in this is probably a chicken and egg question, but do you think the physicians, they saw that their patients needed these surgeries and needed a lower cost option, as well as the convenience for them to be able to provide more surgeries and maybe not get bumped in the hospital for higher acuity? Do you think that both of those factors helped create ASC?

Aric Burke 20:25

Yeah, absolutely. I think physicians are very entrepreneurial by nature. And I think they don't like to waste their time. And so, when you're sitting around waiting for room to be turned over or an inpatient case or a trauma case to finish, you're not making money as a doctor. And so, that's not good for your business. And I think doctors understand better than anybody what it takes to provide great care. And so, they want to have some input and control over how to provide that care in terms of going to a facility that's safe and high quality, a facility that takes care of their patients from a customer standpoint, a facility that has the right equipment, the right staff. And so, those are really important decisions for them as business owners. And so, I think that's where surgery centers come in is they have that input and control. They can choose where they go, including to their own center. So, I think it's a great solution for everybody.

Trisha Talbot 21:26

In the next three to five years, where do you see the growth of the ASC market? And would it be the same without having gone through the pandemic?

Aric Burke 21:34

Yeah, I think it's a good question. I think the growth is going to continue to be very, very strong. Medicare has eliminated the inpatient-only list. It's being phased out. But I think by '23, or something, there won't be an inpatient-only list. And so, more and more cases will be eligible for surgery centers. As again, technology and medicine continue to advance. And then the commercial payers are getting to the point where they won't even authorize outpatient cases in a hospital anywhere, unless you can prove medical necessity. There's always some percentage, and it's usually pretty small, 10-15% of the population that due to comorbidities, or other conditions aren't safe in a surgery center. But it's a very small number in general, for most specialties. Everybody else is really going to be probably required here soon to be done in a surgery center. And I think it's actually a good thing for all involved. It's lower cost, it's safe, it's high quality, it makes our system more efficient. So, I think the growth is just, everything's so well positioned for continued growth. And that's why the health systems like Banner, now, get on board, they want to be part of that. It's an opportunity to maintain the business they have, but then also gain new market share. The more they align with surgeons, and that's the beauty of our model is we work equally with employed physicians and independent physicians. So that way, you have that flexibility of choosing what's right for you. There's pros and cons, obviously, on both sides. But in our surgery centers, you make that choice, and you can come to our surgery centers, and have that relationship with Banner, regardless of employment or not, which I think is a great thing for the doctors.

Trisha Talbot 23:21

Absolutely. Well Eric, we're going to move into the 'getting to know you' part of this interview, get a little bit of information about your leadership style. So, what was your first job?

Aric Burke 23:32

I had a lot of jobs in high school and college and I'll spare you those details. We probably all had those jobs. But my first real job out of college was working for Deloitte in public accounting. So, I went to business school, which I didn't know exactly what I wanted to do, but I'm glad I went to business school. I majored in finance, and then had a master's in accounting. And Deloitte was a great first exposure to the real world in terms of working with large Fortune 500 companies in a very professional environment. I didn't love accounting or public accounting. So, I had a cool opportunity to come up to work for a small surgery center management and development company. That's how I got into the industry and really learned from the development side of the business how to work with health systems and physicians. And I just kind of stayed in and grew to a point where I could start my own company.

Trisha Talbot 24:29

What would you be doing for a living if you were not a leader in the healthcare industry?

Aric Burke 24:33

I don't know. That's a great question. I go back and forth between a ski instructor, ski bum maybe, sounds pretty good. Or I've always enjoyed construction. I think building something is pretty cool. And so, I enjoy working on the construction side of things when we build centers. It's always been pretty interesting to me.

Trisha Talbot 24:55

So, you visit sites and look at the plans and you're involved in that?

Aric Burke 24:59

Yeah, I did for a while in one of my previous roles and I thought it was fun. You take it from concept, through the planning, through the actual building, and then you turn it over to somebody to operate it. And I just really, really enjoyed that process. It was cool.

Trisha Talbot 25:14

Yeah. Who are what are you reading or listening to right now for news, information or inspiration?

Aric Burke 25:20

I try to read business books that aren't too boring. But I recently read one, it's called Delivering Happiness by the CEO of Zappos. Our business is all about customer service, probably just like yours, and just like doctors, actually. But the whole book was about how to create culture that's focused on providing exceptional customer service. And so that's what we're really trying to build Atlas around is great culture, great place to work. That's then built on our mission, which is to provide exceptional care to every patient, and outstanding customer service to every patient and every doctor. And so, it's really a service business. And just to learn about how other companies like Zappos have done that, was interesting.

Trisha Talbot 26:04

That's interesting. Delivering Happiness. Yeah. Getting shoes delivered to you where you don't have to go to try them on is definitely convenient.

Aric Burke 26:13

Yeah, exactly.

Trisha Talbot 26:14

What is one thing you do every day for healthy self-care?

Aric Burke 26:17

So, this is really important to me. I get up every morning, from eight to nine, I have an elliptical, and I jog on that. It's so important. It's good for your aerobic health, but just your mental health, too, to kind of keep that stress level manageable. And so, I do it every single day, during the week, and then on the weekend. And I do other things for strength training, and so forth. But just more than anything, it's that mental stress management, that I need that.

Trisha Talbot 26:49

Trying to turn your brain off for a little bit.

Aric Burke 26:51

Right. Exactly.

Trisha Talbot 26:54

Are leaders born or trained?

Aric Burke 26:57

That's a great question. We're constantly trying to hire the right people. It's the most important thing, I think, that we can do. And so, I interviewed a guy today, and my question is 'what makes you a great leader?' And I think you have to be born with some traits and some abilities. But I think you can then develop, obviously, develop those abilities and hone them. We've actually recently just hired a leadership development person for Atlas because it's that important. Leadership is everything and we want to ultimately help our leaders, at any level, continue to become better leaders. I think everybody can improve. So, I think you have to have the ability and the interest in doing it. It's not easy. There are a lot of downsides that come with it. But if you have that ability and that passion for it, then I think people can get better as they develop.

Trisha Talbot 27:47

Yeah, I think it's continuous learning.

Aric Burke 27:50

Yeah. That's right.

Trisha Talbot 27:53

Well Aric, thank you for your time. This has been a wonderful interview. I really appreciate it.

Aric Burke 27:57

Yeah, likewise. I appreciate your time and thanks for the invitation.

Trisha Talbot 28:01

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