Atlas Healthcare Partners seeks ambulatory surgery ventures, CEO says

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Atlas Healthcare Partners, an operator of ambulatory surgical centers for Phoenix-based hospital system **Banner Health**, expects to establish similar ventures with two to three other hospital systems by year's end, according to Aric Burke, CEO.

Phoenix-based Atlas is talking to undisclosed hospital systems in the Midwest and Southeast to form joint ventures to either establish or take over ASC operations for those hospitals and grow them organically and via acquisition, the CEO said.

ASCs are freestanding care centers often established by doctors or hospital systems to provide care outside hospital settings, including such specialties as gastroenterology, orthopedics, pain management, cancer treatment, ophthalmology services, infusion treatments and urgent care services.

Atlas manages Banner ASCs, which generate around USD 100m in revenue, and from which Atlas accrues management fees, development charges and other fees, currently amounting to USD 20m a year, the CEO said.

ASCs have grown in recent years as hospitals look to provide regional medical coverage at a lower cost than hospital-based care while attracting new specialists and patients. The value of US ASC procedures grew to USD 43bn in 2021, up from USD 28bn in 2015, according to Bain & Co.

Atlas was founded as a joint venture in 2018 with Banner to exclusively manage its eight ASCs, a number that has grown to include 21 centers today in Arizona and Colorado, the CEO said.

He said he expects the number of Banner-sponsored ASCs to grow to 55 centers in three to five years in the Southwest, while it pursues partnerships with other hospital groups. Banner, a top US non-profit health system, operates some 30 hospitals and other services in six states.

Atlas offers a range of services to hospital systems, including recruiting new doctors or acquiring doctor-owned ASCs and managing myriad operations, including strategic planning, group purchasing, HR, information technology and revenue cycle management, said Burke.

The company hopes to line up as many as 20 hospital system partners with up to 200 ASCs by 2030, putting it in a league with major ASC operators, including Tenet Healthcare’s [NYSE:THC] **United Surgical Partners International** (USPI), UnitedHealth Optum’s [NYSE:UNH] **Surgical Care Affiliates** and **Amsurg**, owned by KKR’s Envision Healthcare, the CEO said.

Atlas is unique in that it operates as a joint venture with Banner as the majority 75% owner. Atlas holds 25% of the management company. Others, such as USPI, are wholly owned by hospital systems or insurance companies.

The model also allows doctors to invest in ASCs, which helps attract and retain specialists, he said. For Banner, Atlas operates ASCs focused on ophthalmology, pain management, cardiac care, and orthopedics, along with several multi-specialty ASCs, he said. New ASC contracts could offer many other services, depending on patient demand.

“We look to where they need to have surgery centers and what kinds of specialties they need,” said Burke.

In addition to forming its own ASCs, Atlas would purchase doctor-owned ASCs, which typically sell for 6x to 8x EBITDA multiples, he said. A typical ASC can generate USD 3m to USD 7m a year, he added.

“It is common for doctors to start their own surgery centers,” said Burke. By rolling them up into a chain, a doctor can benefit by both investing in the new operation but also stepping away from management responsibilities.

Hospitals are increasingly amenable to ASCs as the COVID-19 pandemic has patients reticent about visiting large hospitals. In addition, private insurance and government payers are pushing to have care delivered at less expensive venues like ASCs, he said.

When it’s ready to exit in the coming years, Atlas could look to attract private equity, Burke said, but so far it hasn’t looked at that option.

It is more likely that Atlas would consider a public listing, he said. “I could see us operating 150 to 200 centers by 2030,” after which it could go to the public markets, said Burke.

by Dane Hamilton