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## ENTERPRISE

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### A steady hand

**After a fast take-off, First Street Surgical Center is helping put patients on a smooth road to recovery**

**Greg Barr**

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Things get pretty hectic in First Street Surgical Center's parking lot on car wash day.

Once a week, First Street's owners arrange for reduced-price car washes and detailing of vehicles driven by surgeons and staff of the two-story ambulatory surgical center.

This and other perks offered to employees is a key reason, according to CEO Tony Rotondo, the \$3.5 million surgical center is on a fast growth track nearly two years after opening its operating-room doors in an upscale Bellaire neighborhood.

First Street expects net revenue of \$15 million in 2004, a 50 percent increase over the prior year, as it prepares for a major building expansion in the battle for a share of the competitive Houston health care market.

Rotondo says that after discussions with Dr. Jacob Varon, a well-known local reconstructive and plastic surgeon, he saw the opportunity to develop a center that offered outpatient surgery using cutting-edge technology in a less-stressful environment than a traditional hospital.

"Dr. Varon had the idea to create a business model that could be used to create this kind of center and be able to set it up anywhere," says Rotondo, referring to the creation of the parent management company, First Surgical Partners LLC, which developed the First Street concept.

The center performs only day surgery, so patients get in and out more quickly than in a traditional surgery setting.

Still, using earth tones and photos of wildflowers in patients' rooms and offering less hectic surroundings can only help establish the center's reputation to a point. What helps to sell the place, according to Rotondo, is that the employees are well taken care of, and their positive attitudes in turn make for happy patients.

First Street has 30 employees on staff, as well as a roster of 15 physicians.

"I have a waiting list for employees," says Rotondo, who had eight years' experience in health care administration, including a stint at HCA/Columbia, before opening First Street in February 2003. "Our turnover rate is significantly lower than the usual hospital environment. My idea is to hire the best people possible, then get out of the way and let them do their jobs."

In addition to the car-wash services, the chief executive purchases lunch for the staff and surgeons and holds monthly

employee-appreciation breakfasts. He also adds small touches like providing fresh fruit and protein drinks for staff to help build morale.

Dr. Franklin Rose, a reconstructive and plastic surgery specialist who performs about 40 procedures a month at First Street, says patients do seem more relaxed.

"It gets people away from the hustle and bustle of the medical center environment," he says. "The care here is exemplary and the atmosphere facilitates healing. It helps the patients tolerate (surgery) better."

Rotondo says the center's surgeons do an average of about 90 percent of their business at First Street, and several have become limited partners, so that like co-owner Varon, they get a return on their investment as well as reimbursement for surgical services. Federal law allows surgeons to invest in these centers because they are considered to be a surgeon's office, just like a family medicine doctor owns his practice.

Unlike major medical centers and hospitals, which advertise on television and freeway billboards to drive consumers to their particular brand, Rotondo says this grocery-store style shopping concept just doesn't work with small surgical centers; considering it's the surgeons who steer the patients there.

"We focus all our marketing on the surgeons," says Rotondo. "We'll have an open house for surgeons and other medical staff. Our focus is to get the best surgeons who will use our facility. We can't do anything (about soliciting patients) without the surgeon making the recommendation for surgery at our center."

First Street employs a Houston PR firm to help generate media coverage, and relies on the fact that its well-known surgeons may also turn up on TV newscasts for quotes about medical issues.

The company is working on a Web site, but Rotondo says its focus will be to solicit investment to open centers in other cities.

### **Strategy shift**

The idea of shifting outpatient surgery to smaller centers is not new. The trend actually took shape in the late 1970s with the creation of the first ambulatory surgical centers, or ASCs, around the country.

According to the Virginia-based Federated Ambulatory Surgical Association, there are now more than 4,000 such centers nationwide. In Texas, there are currently 265 Medicaid-certified ASCs, 33 of which are in the Houston area, including First Street.

Kathy Bryant, FASA executive director, believes ASCs will continue to be built to take advantage of new technologies that allow for surgical procedures to be performed on an outpatient basis, partially to fuel the demand from baby boomers who refuse to adopt the idea that a few aches and pains are normal for those over 50.

"The projections show that we will need more operating rooms for the next couple of decades, and the ASCs free up the hospitals to do more complicated procedures," says Bryant, who expects to see a 47 percent increase in the number of ophthalmology procedures at ASCs by 2020.

Rotondo points out that the growth of ASCs is also driven by doctors.

"Physicians want to gain more control over health care delivery so surgeons are contracting with ASCs to build these centers," he says. "There's lots of pressure from insurers to keep (costs) down, so we're caught in between. Many procedures are done in an outpatient setting today that two years ago were in a hospital, but these new technologies cost money. It's a challenge for us, and we have to be (cost) efficient."

During 2003, First Street surgeons performed about 2,500 procedures, with that number on track to exceed 4,000 in 2004. The facility does have space for up to five patients to stay overnight, if necessary. The center has four surgical suites and eight recovery stations.

First Street specializes in the most popular and cost-effective types of day surgery operations: Reconstructive and

plastic surgery, which accounts for 41 percent of revenue; pain management, 35 percent; and orthopedic surgery and MRIs, 19 percent.

Rotondo expects the number of procedures to reach 5,500 next year after the planned March 2005 opening of an identical center to be built on an adjacent lot next to First Street Surgical, effectively doubling its size to 23,000 square feet. Construction is slated to begin by the end of October.

Meanwhile, First Surgical Partners, the management company, is considering opening a second Houston ASC in the Museum District. That center is projected to begin operations by the second quarter of 2005.

And Rotondo and Varon have had initial discussions with two surgeon groups in San Antonio and Austin regarding setting up ASCs to be operated through First Surgical Partners in those cities, based on the First Street formula.

Peggy Kircher, president of health care consulting firm Aspen Consulting Group, says that in general ASCs can offer patients a less-expensive option for day surgery than a hospital, which has much more overhead to consider.

"As far as the patient is concerned, the smaller center is equally qualified as a hospital, and they can drive right up without the hassle of parking at the big medical center. It's also more advantageous for the physician, especially if he can have some stake in the center and gets a return on his investment," says Kircher.

"There's always that pressure from managed health care plans for their patients to come up with the right place, the right doctor and the right price."

*Greg Barr is a Houston-area freelance writer.*