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UP CLOSE A LOOK INTO METRO ATLANTA BUSINESSES

'180 degrees different from a franchise'

Institutional pharmacies cater to long-term care.

Local equity partners run ship.

By Bill Hendrick
For the AJC

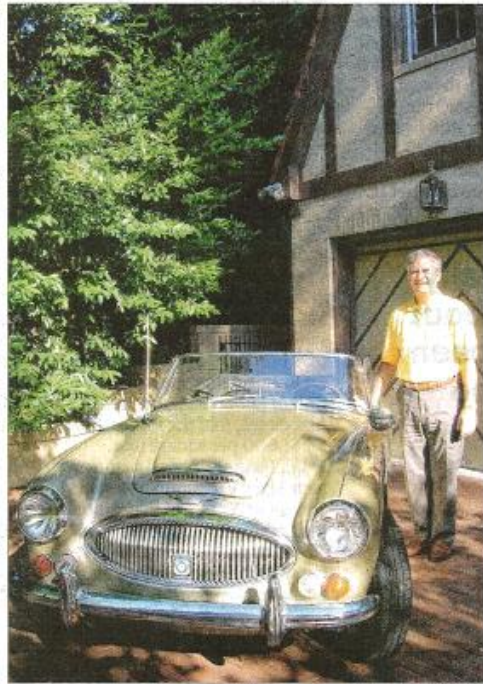
Fred Burke loves fast sports cars, but what really drives him is making sure people in nursing homes, assisted living facilities and hospice care get the drugs they need — and that no mistakes are made.

A serial entrepreneur who's been featured in *Vintage Motorsport Magazine*, the 62-year-old is co-founder and CEO of Atlanta-based Guardian Pharmacy. It operates 18 institutional pharmacies in 11 states, serving more than 42,000 long-term care patients. Founded in 2004, revenues have grown in eight years from \$15 million to more than \$200 million.

It is not a franchise operation, although its unique business model requires local equity partners, who run the pharmacies. They get support with human resources, information technology, payroll, claims management and other issues from the headquarters operation in Atlanta, which employs about 40 people. Nationally, the company has about 820 employees, including 155 pharmacists.

Q: What is an institutional pharmacy?

A: We focus on long-term care communities, such as nursing homes and assisted living. Generally, these facilities would prefer to be served by one pharmacy. We package prescriptions in compli-



Fred Burke, president and CEO of Guardian Pharmacy, is a serial entrepreneur who has been featured in *Vintage Motorsport Magazine*.

ance packaging to ensure efficiency and accuracy. This is critical, as an average patient has eight to 10 prescriptions. We organize it all to make sure residents get what they're supposed to.

Q: So if I go to the new Guardian Pharmacy of Atlanta and try to purchase medication, I couldn't?

A: Right. Our pharmacies are closed-door, not open to the public. Nobody comes to the counter at the new facility in Marietta. All you would see there would be computers and people working, pharmacy technicians receiving orders, pharmacists reviewing prescriptions, which are input into computer-driven ro-

botic dispensing equipment.

Q: You have what you call partners. It sounds like a franchise operation. Is it?

A: It's not. We are 180 degrees different from a franchise. A franchise is cookie-cutter. At McDonald's the stores are the same everywhere, from menu to uniforms. And the franchise operators own the stores and pay fees to McDonald's headquarters, and a percentage of revenue.

Q: How are you different?

A: We combine locally autonomous business operations with centralized national support to create a business structure

MEET FRED BURKE

Job: President and CEO of Guardian Pharmacy

Age: 62

Lives: Brookwood Hills

Family: Wife of 40-plus years, Sara Jean; three grown children

Education: Mississippi State University, B.S. engineering; Purdue University, M.S. industrial administration

Favorite quote:

"Yesterday ended last night. Every day is a new beginning. Learn the skill of forgetting. And move on." — Norman Vincent Peale

that enables quick decision-making and a focus on resident care.

Q: Can you elaborate?

A: The local teams that are our partners are able to tailor service to the homes they serve. Services vary by region and community. Secondly, we have an ownership stake in these pharmacies, about 70 to 85 percent of each one. And, the local management team has a significant chunk of the ownership, as well. Each business operates independently, has its own board, management, president, and bank account and cash. Here at headquarters our role is to support the day-to-day operations of these pharmacies, so that they can focus on serving their customers. We use sophisticated accounting systems and provide the pharmacy owners with the necessary detail to help them better manage their business. The way we get paid is we help the local pharmacy improve profitability.

Q: What exactly do you do for the partners?

A: For instance, we provide data so they can analyze their business, help them negotiate purchase agreements with drug distributors, provide business management support, and have CPAs and MBAs who ensure that the pharmacies are getting reimbursed, according to the contract. We help ensure our local pharmacies are performing their functions in a safe and efficient manner. At each pharmacy location, management orders the drugs and manages the entire process from packaging to delivery. The fundamental thing is to get the right drug to the right patient at the right time. We have to partner with people we trust.

Q: So how do you choose partners?

A: We are looking for a special breed of cat, somebody who has the ability to run the operation under the Guardian model, and recognizes the value of teamwork with people at headquarters. Most owners are pharmacists. Those who are not have extensive industry experience and employ top pharmacists. Each is licensed by the state it's in. They are thoroughly vetted, which is another function of our corporate support group. We might have discussions with a hundred people to find two or three partners a year. The costs to entry vary depending on the market. Generally, launching a start-up pharmacy will require a couple of million dollars.

Q: How many prescriptions are you responsible for?

A: We dispense about 5 million prescriptions a year. There are three major drug distributors —

Cardinal Health, McKesson and Amerisource-Bergin. They deliver to the pharmacies. Each local pharmacy decides which distributor can render the best service to them.

Q: How are patients' needs met?

A: If I run a nursing home with 200 residents, each has his or her own prescriptions. The home is going to collect up those orders and work with us. About 90 percent of long-term care homes operate with a long-term care type of pharmacy. The patient's physician works with the home, the prescriptions are collected and then transmitted to an institutional pharmacy like Guardian.

Q: So your competitors are not the pharmacies that consumers generally use?

A: That is correct. We would be the third largest of the long-term care pharmacies. The biggest is Omnicare, a public company with revenues of \$6 billion. In addition, about 1,000 independent pharmacies operate across the country, and our business development group is in contact with me, as we search around to see who to partner with.

Q: Revenues have grown, so do you plan to go public?

A: We would love to do that. It depends on us building our business to a larger size and scope. However, interestingly, Congress just passed legislation that may allow smaller companies like ours to access the public markets.

Please send suggestions for candidates to interview to writer@billhendrick.com