Business Owner Series: Better Health Drives Better Business

July 2022

Featuring:

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Arnie Burchianti, *Founder, Celtic Healthcare*

VO [00:00:01] Is your wealth strategy supporting your long-term goals? Welcome to *Your Active Wealth* with BNY Mellon Wealth Management, where we offer insights that can help you move closer to your goals. We'll tackle timely topics through the lens of the five pillars that comprise our Active Wealth framework, Invest, Spend, Manage, Borrow and Protect, and provide guidance on navigating the unpredictable, to help you build and sustain wealth.

Ben [00:00:30] Hi. I'm your host, Ben McGloin, head of Advice, Planning and Fiduciary Services at BNY Mellon Wealth Management. And welcome back to *Your Active Wealth*. Today is a special episode for the podcast as we are kicking off our business owner series. In each episode of this series, we'll speak with an individual who has a unique story to tell. Some of our guests are entrepreneurs who built their business from scratch. Others are second generation business leaders who took the reins of a company and guided it to the next level of success. While each guest's story is distinct, what they have in common is an uncommon drive to achieve enduring success and a passion to give back to the communities in which they thrive. Today, we're speaking with Arnie Burchianti, the founder and former CEO of Celtic Healthcare, a firm he started in 1995. Arnie's story is one of vision and innovation, seeing a need for home-based health care in his native state of Pennsylvania. Arnie founded a company that leverages scale and technology to reduce the cost of care while delivering a higher standard of care. Over time, Arnie led the company through significant expansion, growing annual revenues from 30 million to 200 million in five years. Spearheading a series of mergers and acquisitions, today Celtic Healthcare serves about 2000 patients from nine locations spanning western, central and northeastern Pennsylvania, as well as Montgomery and Baltimore counties in Maryland. Arnie, welcome to the podcast.

Arnie [00:01:49] Thank you. It's good to be here.

Ben [00:01:51] So, Arnie, I thought we'd start by going back to the beginning of your career path. I know you started out as a physical therapist, but what really drove you to pursue a career in health care?

Arnie [00:02:00] Injuries. Athletic injuries in high school, playing sports, spent a lot of time in physical therapy. I really liked their knowledge of the physiology and human body and had an aunt who was a physical therapist, and I started speaking to her as I was progressing through high school and decided I wanted to go to physical therapy school.

Ben [00:02:19] So following on from that, Arnie, you founded Celtic Healthcare at a young age. What sparked your entrepreneurial spirit?

Arnie [00:02:25] I really believe many things are kind of innate, God given, and I think I just have that gene, that entrepreneurial leadership-type gene. I served as class president in physical therapy school. I was [second in my class] for physical therapy at Duquesne University in Pittsburgh. So the dean at that time said, hey Arnie, would you serve as the founding, you know, president or leader of our alumni association? So I had to put the alumni association together. And I just felt really good about serving in those capacities. It was very helpful, met a lot of great people along the way. When you're just coming out of college and you're on an advisory board with other health care leaders and other people from the community at such a young age, you're starting to build a good network. I grew up on a farm and around parents who work very hard, so I was not afraid to work. So I had a full-time job providing physical therapy in a sports and outpatient clinic. And when I got off work, I'd go do home care visits immediately upon getting my license. And I fell in love with going into people's homes and caring for them, hearing their stories. I mean, at that point this was the mid to late nineties. I mean, one of the greatest generations ever that, you know, went through a depression, wars. These were the individuals in Pittsburgh that I was caring for. So it was really, really an honor to care for them and hear their stories while providing physical therapy.

Ben [00:03:51] And the name Celtic or some people refer to it as Celtic. I'd love to know the history coming from Ireland myself.

Arnie [00:03:57] Oh yeah, certainly. Ironically, I just came back from Northern Ireland, had a great golf trip. But on another note, my Duquesne University Father Sean Hogan, was a very instrumental person there. I worked for him in student life when I was at Duquesne, and subsequent to that he married my wife and I, baptized our children, [inaudible] communions, even was selected as a confirmation person for my daughter. And so our fifth wedding anniversary in 2000, my wife and I went to Shannon, flew into Shannon. I went all around the country and stayed with Father Hogan's family who had a couple thousand acres and a bed and breakfast there and fell in love with the people and the culture. And I was starting my second business and I needed a name. Typically, they're in alphabetical order, like A, B or C, in the hospital list when you're selecting a home care. By law it has to be choice. And so with that, I said, wow, this would be great. You know, Celtic or Celtic, Celtic Healthcare. It will be at the top of the list. I love the Celtic knot and the meaning behind that and that's really where it came from. And it really did grab a lot of attention. A lot of people migrated to Pittsburgh over the years from Ireland. For a smaller town, one of the larger St Patrick's Day parades and what have you. So I think it was a really easy name to brand and meant a lot to me because of my experience with Sean, Father Hogan.

Ben [00:05:25] So obviously your company, Arnie, grew and became successful relatively quickly. Could you share some of the drivers of that early success?

Arnie [00:05:36] Yeah, I think one was the fact that early on, and I'm married, my wife, high school sweetheart, she's an RN, was a nurse. I think really one being, building a business where you're actually delivering the care and you have a compassion for the level of care. I think being on the ground side, even though, in health care, in any business, I think there's a big benefit of being in front of the customer. But I think as time went on, as I moved away from patient care into more leadership and strategy and growth of the company, I'll kind of boil it down to really three things. I think number one is leadership, you know, kind of a servant leadership style and making sure that you're building a team around you that are one, stronger than you in their core areas, and that you have a level of respect and empathy to listen to them and work along with them. And then you pollinate them to serve people that they lead and so on and so forth. So finally, you know, from the bottom up, in many ways. Two, I think technology and processes, organizations need to establish processes that will set the company free. So even if you have great leadership, you need to make sure that you have good processes within the organization. And then lastly, number three, I think is just understanding your markets and legislation, just knowing who your customers are. In our world, it was not a matter of market need. There was a clear need and still today, a great need for in-home what we call post-acute home and community-based care. So, it gets down to markets and legislation because they change frequently, and you need to understand those to evolve and innovate. And so, I really think those are three key areas that I applied within the business.

Ben [00:07:14] Well, terrific. And I think those certainly are relevant today more than ever. As the company as the company grew and you looked for capital, did you seek outside investors over time?

Arnie [00:07:25] For the most part, early on, retained earnings really rolled back any earnings into the business. And if you think about home care and hospice, from an asset perspective there's not a lot there, it's people related. And so it's hard to go to a bank, and there's not a lot of real estate or equipment or things like that that they're lending against. So, it's really around accounts receivable and retained earnings. And so we were very creative with that. We did some self-insurance with a captive insurance company, but with all of that, still, when the mortgage crisis hit, you know, by 2010 or 2011, it was just really hard. We'd done about 15 acquisitions of smaller or mid-sized home health and hospice companies. We did that with debt, with a little bit of sub debt. And the pressure put on the banking industry at that point just made it hard to get any further deals done. So just through my network, I knew a lot of people in the space and I worked with a company called Edge Capital who had brokered quite a few deals, investment bankers, who did a lot of a lot of deals in the post-acute home care space. And I explained to them that I know as an entrepreneur, I can right-size the company and I can manage through this, but I really don't want to cut my technology budgets or my people. So I'd rather at this point look to bring the right type of investor in. And I said, boy, something that was where they came in and left the management team alone and, you know, and kind of vested in the management teams only like a first year, something like that would be great. And he goes, Arnie, that's a needle in a haystack for a company that, you know, at that time our company was like a $40 million company. And lo and behold, like three weeks later, I get a call from these gentlemen from Edge. Hey, you know, The Washington Post wants to meet you. And I'm like, why? They want to write an article or what do you mean? No, no. Like, well, Berkshire owns 20 or some percentage of them for the last 40 years, and they're looking to make an investment in health care. First, health care would be in home care. They've talked to a lot of companies that didn't meet the criteria. And we talked about your company, and they felt this idea of the economic moat. What makes you unique in your space? They felt like it may be a mix or a blend there, so let's kind of speed along there. We met and that happened. You know, it was not prescribed. We didn't go through an auction. There was an introduction, the introductions went well. And then I engaged the investment bankers to help us close the transaction. And that really was key for us to get the kind of capital we needed within the organization.

Ben [00:9:56] And then so from that time through to when you ultimately went through your liquidity event, what was the timeline and how quickly were you able to grow during that time period?

Arnie [00:10:06] So the timeline to close the transaction was relatively quick. And I attribute that to the kind of like pre-sell planning, just understanding, really mentally, I think owners have to kind of get in their mind and understand, and we can talk more about that. You know what's important? Because it really easy to get caught up in ego and greed. And I mean, this is your baby, right? And so I kind of went through that process already. So it was about the people. And there are these people I want to work with and are they going to allow me to take the vision of this organization and my team? Is their investment going to allow us to fulfill that kind of vision and pathway that was set for the company? And so we got to close probably like 45 days and they put a capital investment in, took control, a majority control of the business. But it was very much about the management team. So they didn't run health care companies. Obviously, we're part of a public company at that point. So we had to beef up and work a little harder on Sarbanes-Oxley and some of those areas as a smaller part of a public company. But we grew the company from that point where it was just shy of $40 million to over close to $250 million in a six-year window. And I went from prior to that, half my day focused on the balance sheet to really no time, you know, focusing on getting away from the balance sheet and on growing the business. And that's how we expanded and grew. And I was pretty involved in the industry and I knew a lot of companies that would be quality companies to bring into the fold through acquisition. I did a lot of joint ventures with hospital systems who had home care companies that just weren't functioning or operating as well as their inpatient home care or hospital-based care. And so it was a nice marriage that way as well.

Ben [00:11:54] You touched upon it there in terms of some of the presale planning. I think from our experience, we try and bucket it into three broad factors around the financial factors, the familial factors and the emotional factors. So taking aside the financial factors, can you share, you touched upon some of the emotional, but just kind of talk through that as an entrepreneur, founder of the company, how you work through that over the years to the final liquidity event.

Arnie [00:12:22] So it's really, having advisors, you know, we all have advisors in business, but you know, so you really need to be talking to your advisors about what is fair market value for the business and truly understanding constantly what fair market value is. What would the net proceeds from an exit event? You know, obviously there's a lot of different ways it could be done. But if you're going to have some kind of a liquidity event, well, what percentage of the company you're selling. And then after taxes and whatever planning you did or did not do, you know, what does that leave you with? I think you need to really understand those areas to assess, hey, what are our wealth goals, you know, your family. My wife and I had to decide what were the kind of goals, kind of lifestyle that we want to have. And everyone is different, right? So, you have to look at that. And then what are the risk factors, can we achieve that? Like what risk factors are there and understanding this idea of sustainability, of that wealth, I mean, those were areas that were really important to us. And because I had to look through the lens of not knowing at that point well I'm not going to have control. I wasn't particularly worried at that point that something would go wrong. But I had to look through that lens because I had two young children at the time and put my whole life into this business. I really wanted to make sure that if I was fired day two, if I never worked again, would that work? So I wanted to start from that. And I think people often, the businesspeople that I talk to, just don't do that. And I see a lot of companies make mistakes in their exit. And I say that because I serve on the board of the Institute of Entrepreneur Excellence here in Pittsburgh, which is tightly aligned with the University of Pittsburgh Katz School Business and a wonderful organization. And I had the great opportunity of sitting with families and businesses from, you know, multiple fifth generation, $3 billion businesses to, you know, five, three, four generation, $100 million companies down to a $1 million company. And as you go to the social events, you go to the educational events, more than half the time I would hear the failures of exit. So if I hadn't been out networking, I wouldn't have known that. And what it led me to believe is I want my children, I want them to chase their own dreams, not feel like I was going to force Celtic Healthcare on them. And I'm not saying, in some families that's great. I just knew that when the time came, I didn't go out looking for an acquisition. The financial crisis prevented me from chasing my dream and my vision, so I needed to bring capital in. And that's a long answer to the question. But I think you need to have advisors and you need to have people who can get you away from the emotions and away from the ego, which just happens, you know? A lot of deals go sideways because people don't think rationally. They don't really understand all the factors. So I think that's something that was very helpful for us.

Ben [00:15:24] That's really sage advice there, Arnie. And to take that a little further, I'm curious, as you went through the transaction, as you said, worked through the advice, if you were to do it again what would be the lessons learned? I mean, I know you've done a lot of great planning and really thinking through it. But what would be the lessons that you want to impart that maybe you would kind of take a do over, take a mulligan to use the golfing phrase?

Arnie [00:15:54] That's a great question. I think I would do it again the way it was done, because it just in many ways, I think it was just divine in some ways to make a call and say, hey, we're in a situation where I really don't want to shrink the business. I'm going to grow it and I need capital. But I don't want to be bought by a public operator or a publicly traded company who is in our space because they wouldn't need our technology. They wouldn't need all the management team. I really wasn't ready for private equity because I didn't, you know, and there's a lot of very successful private equity firms, but I felt that the growth needed to be managed with quality and not too fast and not levered too much. So, in many ways, the transaction was ideal with The Washington Post. I think the one mulligan would be when you're growing a business at that pace. I mean, we grew from $40 million to over $200 million in five years, and that's in a service industry that's a lot of growth. And to retain and keep the culture is very difficult. Even if you apply the things that I mentioned earlier about leadership and processes that set the company free and you know, understand markets and legislation. I would say that as you bring people into the organization through acquisition or recruitment, your culture changes. And so the mulligan would be staying true to, you know, and maybe the growth would have been a little slower and, you know, and there would maybe be a different trajectory of the business. I think the business is kind of out of it now. The business has kind of plateaued from what I've seen. And I would say that I would do it all again. But that would be the only the only thing that I learn from it is that it does get more difficult in these larger businesses as you buy companies and bring in cultures, right, culture and people. And it gets more difficult as time goes on.

Ben [00:17:42] And so you touched as well around networking and the outside advisors. I'd be curious if you could share your insights of the importance of having, whether it's industry, your related networking groups or maybe even out of industry, your perspective. And how that's led to some of your success over the years?

Arnie [00:18:03] I think it's, I really believe it's one of the greatest parts of my success. And it's kind of sounds weird saying that about myself, but it's in many ways humility. And I hear this from advisors of mine today still that are that were involved in my business. And what I mean by that is that when you have the ability to get people around you and truly listen. And truly dialog. You know, that is hard for people and I think that's the most important. Whether you need to get the right attorneys around you, the right accountants around you, the right financial advisers around you and so on, you know, industry leaders. And if you're not picking up the phone weekly to seek advice from somebody, I still do that today. Right. And the investments that I have, I think that to me is very important. And I think unfortunately, often we'll find people who come out of some prestigious schools, extremely intelligent. In some of these meetings people are way more intelligent than I am. But they want to tell you how smart they are, and they want to repeat it during the meeting. And they want to fix problems with spreadsheets. And it's not everyone. But you find those individuals. And I think if you can get out of the spreadsheets and out of telling people how great you are and more into getting around people who are smarter than you and taking everyone's advice. And then you need to make your own decision, that hopefully gives you, I would say that would be the answer there.

Ben [00:19:32] That's terrific. And I know serving your community is important to you and your wife and I'd love if you could share some of the benefits to your community that derive from your business.

Arnie [00:19:42] Absolutely. You really have to define what is important to you. But everything from children's hospital to charitable type services and poverty or homelessness and food insecurity and rescuing food and having options for people in the community. I mean, I can go on forever about those areas, but those are very important factors to who we are. Whether you're doing it with your own hands or you're funding areas that are important. I would say, it's just honestly, my wife and I both grew up through Catholic education and went on to Duquesne University, run by the Spiritans. And we give back a lot to the church and to the university because we believe a lot in the values they have there. Every church has challenges and certainly the Catholic Church does as well. But it is important to us and it grounds us. And our family legacy is to, you know, things that we learn, to serve others is very important. And it could be a multitude of ways. But we try and be disciplined around how we do that and how as a family, we make decisions to do philanthropic work or to support areas that are helpful to the community.

Ben [00:20:54] And I know you mentioned your young children or your children at one point in time. How engaged and how involved have you and your wife been with engaging your children in your philanthropic efforts?

Arnie [00:21:08] We've been fortunate that over a decade now we've had the same team from BNY Mellon on our account. And I got to tell you, after selling a business, it was like having two companies. Now I'm part of this public company, I don't have to focus on a balance sheet anymore, but a third of the proceeds from the sale were in a dynasty trust. And that was overwhelming. And it was a lot of help from our team over at BNY Mellon Wealth Management to really support us. And with our attorney [inaudible] from Jones Day, he was just tremendous and really understanding, you know, all those papers we put together as we put money into it, put shares of the company into a dynasty trust, well, boom, you know, six, seven years later, here we are. There's a liquidity event and there's money there. And what does that mean? And it's scary when you know, my wife and I came from families, very modest, you work hard, constantly looking over your shoulder, like you want better for your kids. But you could see how evil money could be if you don't plan well. So we spent a lot of time on just understanding what is important to the family. And actually, in some ways, our advisors, both at Mellon and some of the teams in accounting and legal would laugh and say, well, you guys need to slow down. Your kids are nine and ten years old and I'd bring them in the meetings. Okay, this is what the church needs. You need to do a presentation to the trustees about it. So we get them to come down to Pittsburgh at the top floor of Mellon building. And I think it scared them quite a bit at first. But we've done everything from that to my wife, still they'll go, you know, and I've joined them as well, to the red roof here or red door down in Pittsburgh, where you serve food to the homeless and you put meals together. And to be there and provide that together or when there's a need within the community, coming out of the church to just kind of sit down and talk about it and understand it. So they're very involved. But the ultimate goal, which is a tough one, because right now one of my financial advisors has been with me a long time, serves as the trustee, but my goal would be that we have two children that they can serve as a trustee and that's really hard right like they, for the betterment and the dynasty and the family, that they can sit alongside the support, financial support we get from our wealth management team at BNY Mellon and be able to make good decisions for future generations in alignment with our legacy. And that's the dream. I mean, that to me, would be very fulfilling to know that they were raised well enough, and they have enough discipline not to do bad things with those funds.

Ben [00:23:51] Well, starting early and often and engaging them, I think it sounds like you and your wife have done a really nice job of getting them getting them engaged and really been part of the process and learning from a variety of factors. I want to go back to where we started, around starting a business, and asking what advice you would have for people who want to start their business, particularly in this day and age.

Arnie [00:24:17] Yeah. I mean, I think you have to set a vision. There has to be purpose. It's easy to say vision, you know, and mission statements. But it has to be purposeful and once you identify that, you then need to identify what are the key attributes or culture in which you want this organization to operate? And there's a lot of options there, as long as you're following the rules and regulations and you're doing things properly. I think that that is really important, right? And that will help. Often if you ask the same question to people, will it be all about, you know, financials and this and that. But I say you need to get that right first. You need to get the purpose. You need to get the culture. Then you need to move on to, can you accomplish, do you have the resources to accomplish that purpose? Because then people sit around talking about what they want to do without really understanding what amount of cash or resources are you going to need to accomplish it. And if you don't have the resources to accomplish it and or you can't get the resources, then you need to go back and change your purpose. You need to adjust it, maybe just lighten it. You know, don't be the big, hairy, audacious guy. Don't be as big. And maybe you got to adjust it until you get to a point where you can adjust upward. And then finally, once you have that strong purpose and the culture that you want and you had done what I call like these stretch goals and understanding the finances that are needed and the resources that are needed. It goes back to what I mentioned earlier. Once that's done, then it's all about leadership, how to get great leaders, how to understand your markets and legislation, and how to invest in things and such, you're, you know, open up and set the company free. Like processes that eliminate any waste or any inefficiency within the organization, I really believe. But you can't have, you can have great leaders and understand the markets, but if you don't have the resources, you're not going to accomplish it. And if you don't have a very precise purpose and culture within the organization, I also think that derails companies as well, you turnover a lot of people or you lose customers. Long answer to your question. But that's to me really the step by step. You know, I actually draw that out for people that I advise and mentor on a one pager. I got a little kind of circle that encompasses all those areas, and I had a guy who I mentored through the IEE, the Institute of Entrepreneur Excellence recently. Now his company is growing tremendously and he's like, I still have that in my wallet. Look at it like, I'm happy to see you're still applying those principles and processes. I learn from others and from education and training, so it works. It's really helpful.

Ben [00:26:58] And just to wrap this up and obviously we're living in quite uncertain times, quite volatile times. And you've, you know, through your experiences lived through volatile times. The late 1990s, obviously, you mentioned the global financial crisis and the Great Recession. You know, just with the uncertainty on the horizon, with inflation and market volatility, economic, geopolitical, any kind of words of wisdom and insights you could impart, maybe, again, for an entrepreneur who's at the earlier start of growing a business in those challenging environments?

Arnie [00:27:31] Those challenges are opportunities. The greatest opportunities or the greatest trajectory of growth that I had in this organization came after three major like events and changes in my business, and I won't get into the details of those, but they were thrusted upon you. You had no control of them, no matter how good you were with your culture and your employees and your stretch goals and everything I mentioned, there are often things kind of thrusted upon the business. And I think entrepreneurs who understand their purpose and their customers and have a good culture are able to adjust and have the agility to adjust. And often if they give it enough time and stay positive about it, will pick up more market share. That's what I see. I mean, I know that's not always the case. Some people are victims from what is thrusted upon them. But it's easy to sit around and feel like a victim. It's the true entrepreneurs who are positive and see the opportunities that are out there. And I mean, again, that's kind of my nature. When we do these psychometric tests and some of these psychologists come in and say, yeah, your temperament is like the ideal entrepreneur temperament. And again, that's God given I don't know why I have it doesn't make me any better than anyone else. It's just I see positive everywhere. And so all, you know, Medicare is going to make this change, grow, great. We're going to go over here and do this. You know, COVID's going to create this. Oh, here's opportunities over here. You know, you just have to, when those doors are closing, there are doors opening, and it's whether you're positive and opportunistic enough to do it and you have people around you to help advise you through that. So that would be my message.

Ben [00:29:11] Wow. Terrific. Great insights, Arnie. Thank you for joining us today to discuss how you built your business and what is truly an incredible entrepreneurial story. This concludes the first episode in our Business Owner series. In each episode of the series, we'll speak with a business owner who has a unique story to tell. Some of our guests, like Arnie, are entrepreneurs who built their business from scratch. Others are second generation business leaders who took the reins of a company and guided it to next level success. While each story is distinct, what they have in common is an uncommon drive to achieve enduring success and to give back to the communities in which they thrive. At BNY Mellon Wealth Management, we have over 200 years of experience working with business owners and entrepreneurs. Our team of advisors has the tools and expertise to develop comprehensive solutions that address your personal financial objectives and family dynamics, as well as issues specific to your business. To learn more about how BNY Mellon Wealth Management can help business owners, I encourage you to reach out to a BNY Mellon wealth manager. I'm Ben McGloin. Thanks for joining us and we'll see you on our next episode of *Your Active Wealth*.

VO [00:30:17] Thank you for listening to this episode of *Your Active Wealth*. Be sure to subscribe to this podcast on Apple Podcasts, Spotify, Google Podcasts or Stitcher and visit bnymellonwealth.com to view the latest insights on the subjects that matter most to you.