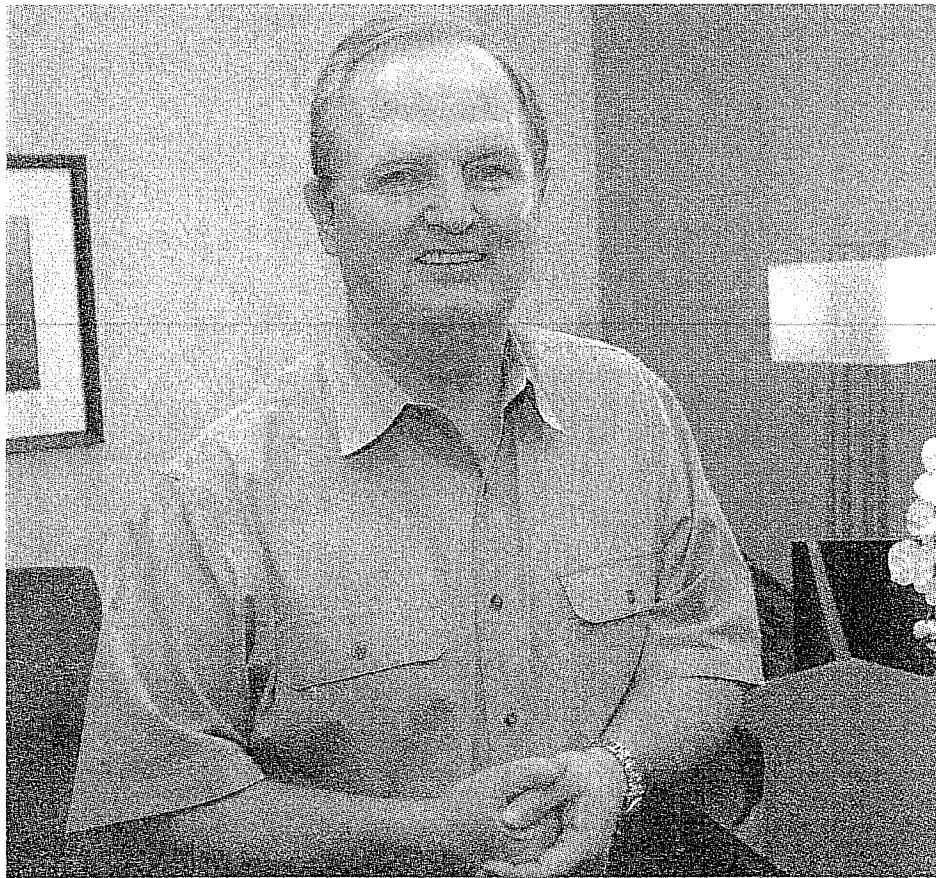


# BUILDING A NEW LEGACY

Fledgling Plano hospital group expanding fast with added facilities, joint ventures

BY JOYCE TSAI | STAFF WRITER



JANE DEAN

Plano-based Legacy Hospital Partners Inc. has only been in operation since mid-January, but over those seven months, it has inked plans to build hospitals nationwide — in Idaho, New Jersey and New Mexico.

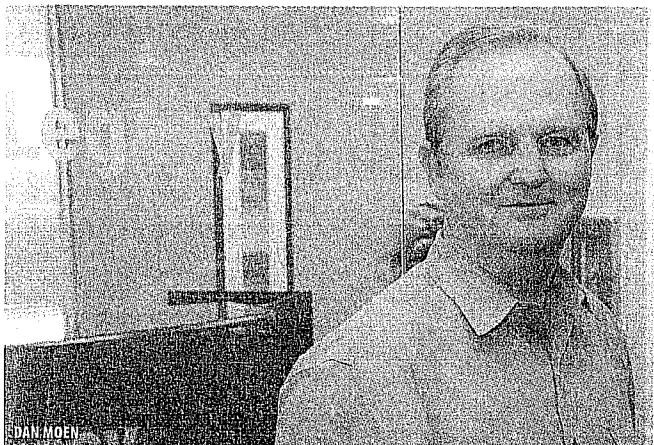
In mid-August, it formed a joint venture with Portneuf Health Care Foundation in Pocatello, Idaho, to build and operate a new 164-bed regional medical center on Portneuf Medical Center's east campus.

Earlier this summer, it signed a letter of intent to embark on a joint venture with Hackensack University Medical Center to acquire, refurbish and reopen 128 beds at Hackensack University Medical Center North at Pascack Valley, located in Westwood, N.J.

Legacy made its first deal in May, when it formed a joint venture with the University of New Mexico Medical Group Inc. to build a new 125-bed hospital in Rio Rancho, N.M.

"We're off to a good start," said Dan Moen, president and CEO of Legacy. All three deals should close by end of the first quarter of next year, and the company has "about 10 projects of similar

**HEALTHY PARTNERING:** Dan Moen is president and CEO of Plano-based Legacy Hospital Partners, which forms joint ventures with nonprofit hospitals to develop health care centers across the country.



## LEGACY: Group aims to open three to five hospitals per year

FROM PAGE 3

quality in the pipeline we are working on," Moen added.

Besides its trio of joint-venture deals, the company has secured \$2 million in financial backing from New York-based CCMP Capital Advisors LLC and the CPP Investment Board out of Canada.

Legacy was formed at the start of 2008 by Moen and six other executives from the former Triad Hospitals Inc., which at the time of its 2007 sale was a \$6 billion organization.

"We have done this before, in terms of building a big company," Moen said.

He says Legacy could generate \$400 million in revenue in its second year of operations, and that it's looking to add three to five hospitals each year.

The plan, Moen says, is to be a \$3 billion company in 10 years.

### Structuring the deals

Legacy will spread \$385 million in capital investment among the three projects: about \$201 million in Idaho, \$80 million in New Jersey and \$104 million in New Mexico, Moen said. The projects are set up as joint ventures, with Legacy holding a majority stake.

The company also offers 50-50 deals.

There's equal representation of Legacy and local partners on the boards of trustees for each hospital; Legacy manages the day-to-day operations.

Moen says Legacy has chosen to focus on one business model: owning, operating and managing acute care hospitals by forming joint ventures with not-for-profits, in small cities of 50,000 to 250,000 people, where competition is generally limited to one to three hospitals. It also looks for hospitals in areas that are growing at an annual rate of 1.5% to 3%, and with annual revenue of more than \$80 million.

The company's joint venture strategy evolved while its executives still worked for Triad. Ten of that company's 54 hospitals were formed by such joint ventures, Moen said.

He said that not-for-profit hospitals like Legacy's business model because it lets them grow and gives them an influx of capital — as well as Legacy's brain trust of expertise.

Triad was sold to Brentwood, Tenn.-based Community Health Systems in July 2007.

Legacy also has assembled a board of directors of four current or former CEOs of large not-for-profit health systems, in-

cluding Doug Hawthorne, CEO of Texas Health Resources.

"It will be a very successful strategy," Moen said of Legacy's business model. "We've done this for a long time, so we know what works."

The timing of Legacy's joint-venture approach could not have been better. That's because many not-for-profits are finding themselves strapped for money or unable to borrow funds for expansion, Moen says.

"Our strategy comes at a time when the credit crunch has made it particularly difficult for a lot of not-for-profits," he said.

Larry Ghan, chairman of the Bannock County Commission, said a new hospital was in the process of getting built when a state court ruling yanked its access to private revenue bonds.

"Because of the changes in the bond market, it made getting credit a lot of tougher," he said. "That's when it became obvious we had to partner up with somebody."

John Boettiger Jr., principal at Deloitte Financial Advisory Services LLP, who consults with hospitals on transactional matters and in the past did consulting work for Triad, said organizations like Legacy "open the doors" for such hospitals. Otherwise, their only options would be to use their own earnings, take on debt or sell their hospitals off 100%.

Some centers owned by Tenet Healthcare Corp., HCA Inc. and other big players are set up using a similar structure, but only Legacy is 100% focused on the strategy, Boettiger said.

Moen says the key to the company's success is remembering that health care is a local business. "Health care decisions should be made locally, and by sharing governance," he said.

joycetsal@bizjournals.com | 214-706-7121

### GROWTH SPURT

**NAME:** Legacy Hospital Partners Inc.  
**BUSINESS:** Hospital developer and operator  
**HEADQUARTERS:** 2800 North Dallas Pkwy., Ste. 200, Plano 75093  
**OWNERSHIP:** Private  
**TOP EXECUTIVE:** Dan Moen, CEO and president  
**EMPLOYEES:** 9  
**ANNUAL REVENUE:** \$400 million (projected, 2009)  
**PHONE:** 866-465-9222  
**WEB:** www.legacyhospitalpartners.com