

Signature signs on for Houston headquarters Goldman Sachs-funded hospital company relocates from Dallas to focus on small-town acquisition strategy

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By Jennifer Dawson
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An upstart hospital company backed by \$150 million from Goldman Sachs is moving its corporate headquarters from Dallas to Houston with plans to continue its healthy acquisition spree.

While Signature Hospital Corp. became Houston's newest health care company this week, the corporate relocation represents a homecoming for the firm's president and CEO. Native Houstonian Charles Miller was a high-profile player on the local health care scene in the 1990s when he ran a Houston hospital company called Champion Healthcare Corp. During his 40-year career, Miller has been involved in starting five health care firms, four of which became publicly traded companies. He has also helped raise more than \$1 billion of capital and has overseen recruitment of more than 200 physicians.

Miller retired in 1999 at age 60 from Champion, later known as Paracelsus Healthcare Corp., but his time off only lasted five years.

Now, Miller and three co-founders have set their sights on buying hospitals in small to mid-sized communities. Signature looks for hospitals that can be upgraded with an infusion of capital, experienced physician recruitment and the firm's proprietary software application for improving patient safety.

Signature closed on a deal last week to purchase a hospital in West Virginia, the fourth site in the fledgling chain's portfolio. Other facilities are located in Hope, Ark.; Pampa, Tx.; and Wharton, which is about 30 miles southwest of Sugar Land.

With a population of 10,000, and another 190,000 people in the hospital's service area, Wharton is a strong example of an ideal Signature market.

Although Signature is shifting its headquarters to Houston, the company does not plan to purchase hospitals in the Bayou City, which is larger than a typical Signature target market. The reason for the move is that some of the firm's corporate executives and many of Miller's former colleagues from Champion call Houston home.

Three executives have been commuting from Houston to Dallas and another three local professionals have been hired recently, so Miller says it makes sense to set up shop in here. Miller, who is currently in Dallas but plans to move to Houston, will also be closer to his many other local contacts.

Mary Ann Smokler, Signature's vice president of medical staff and market development, says roughly 15 Signature employees are moving into 20,300 square feet of office space at 363 North Belt this week. Smokler says the new Houston office is five times larger than the one the company is leaving in Dallas.

³We're planning on being there as we grow,² she says, ³so we got space that will allow us to grow.²

STRONG SUPPORT

Signature was established 15 months ago after Goldman Sachs made a financial commitment to its four co-founders, all health care veterans who wanted to improve the quality of care in non-urban centers.

³We were enthusiastic about the business plan,² says Matthew Clare, an associate in the merchant banking division at Goldman Sachs. ³We liked the team.² Clare says each Signature hospital is acquired using a mix of Goldman Sachs money and personal investments from each of the Signature co-founders (Miller, Robert Lefton, James Dalton and David Steffy, all who have worked together in the past. The Goldman Sachs funds come from institutional investors, Goldman Sachs employees and individual investors.

Clare won't say how much of the \$150 million has already been spent, but he says there's more money in the pipeline, and he expects Signature to need it within the next year.

³The \$150 million was our initial equity commitment to help the company grow, and start the company off on the right foot,² Clare says. ³We'll continue to support them in their growth.² Goldman Sachs, a large New York banking and securities firm, was willing to back Signature based on the track records of the company's co-founders, who each serve on Signature's board of directors.

Lefton is also president and CEO of Dallas-based Odyssey Healthcare Inc., one of the nation's largest publicly held hospice companies. He was formerly president of Horizon Health Corp. and co-founder and CEO of SemperCare, a long-term acute care hospital company that later merged into Select Medical.

Dalton, who serves as board chairman, has four decades of health care management experience. He was founding CEO of Quorum Healthcare and also has senior executive experience with three national investor-owned companies.

Steffy was formerly executive director of Ohio State University Hospitals. He also co-founded several hospital and health care companies, including Republic Health Corp., Community Health Systems, Province Health Systems, Odyssey Health and SemperCare.

Signature Hospital Corp.

Founded: 2005 in Dallas

Co-founders: Charles Miller, Robert Lefton, James Dalton and David Steffy

Financial backer: Goldman Sachs

Hospitals owned: Gulf Coast Medical Center in Wharton, Tx.; Pampa Regional Medical Center in Pampa, Tx.; Medical Park Hospital in Hope, Ark.; and St. Joseph's Hospital in Parkersburg, West Va.

New corporate headquarters: 363 North Belt in Houston

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