Physician Hospital Dispute

A. Background

Regional Medical Center is a nonprofit charitable hospital corporation incorporated under the Minnesota Nonprofit Corporation Act. Integrated is a large integrated delivery system that acquired RMC in 2011 from the City of Rural America after 60 years of operation. The primary reason for the transfer was to increase the range of health care services available to the City’s residents and service area. At the time that Integrated gained control over RMC, it was a Joint Commission on Accreditation of Healthcare Organizations (JCAHO) accredited hospital and continued to be accredited until January 31, 2014, when Integrated dropped its JCAHO status.

In 2011, the Medical Staff of RMC operated under Medical Staff Bylaws and Rules and Regulations. The Bylaws and Rules and Regulations were structured under what some have termed as a “Self-Governing” paradigm wherein the Medical Staff exerts considerable autonomy subject to a variety of checks and balances. Since 2011, physicians employed by the Little Town Group Practice (LTGP) have comprised a majority of the Medical Staff; physicians employed by Integrated have been a sizeable minority. There was tension between LTGP and Integrated over the issue of whether patients were being steered away from LTGP physicians and in fact, LTGP sued Integrated over the issue and a settlement was reached and the parties agreed to new patient intake procedures.

Like many Medical Staffs RMC has various committees, including a Medical Executive Committee (MEC) that is elected by the entire Medical Staff and a Medical Staff Quality Improvement Committee (MSQIC). The leader of the Medical Staff is Chief of Staff, Dr. Meredith Grey, who is also the President of LTGP.

Janet Jones is the administrator of RMC and Hugh Grant is the general counsel for Integrated. Janet has handled the day-to-day interactions with the Medical Staff. Mr. Grant, although behind the scenes at the time of the acquisition, has become a frequent presence at RMC in the past year.

The primary skirmishes that occurred prior to the filing of the lawsuit involved medical staff appointment power and then governance.

1. Medical Staff Appointment Power.

(a). In the fall of 2011, the Medical Staff voted to appoint members to the MEC. At the meeting, a number of Integrated physicians were not present and the Medical Staff appointed a majority of LTGP physicians to the MEC. RMC has since stated there was an informal agreement to keep the MEC balanced between LTGP and Integrated physicians and that LTGP physicians acted in bad faith.
(b). On December 8, 2012, the MEC approved the appointment of five individuals to the MSQHIC. On December 10, 2012, the RMC Board rejected the appointments, created a new committee and selected the members.

2. Medical Staff Governance.

(a). MEC. Beginning on March 9, 2013, the administrator of RMC sought to add a regular agenda item to the MEC for “Board Verification of Agenda” and started deciding what topics were permitted to be discussed at the MEC. RMC started having board members attend MEC meetings along with RMC staff. RMC has prohibited MEC meetings in executive session limited to voting members and the administrator prohibited MEC from having independent counsel.

(b). Bylaws. On January 17, 2014, RMC sent a letter advising the medical staff that it was repealing the medical staff bylaws and promulgating new bylaws. The letter indicated that the proposed bylaws were approved by the RMC board of directors, and the letter solicited written feedback from medical staff members regarding the revisions by March 1. The changes were scheduled to take effect on April 1. On January 24, the medical staff held a general meeting where the RMC administrator stated that the proposed bylaw changes would not be submitted to the medical staff for a vote, but that individual members of the medical staff could submit comments on the new bylaws.

Litigation

On February 1, 2014, the chief of the medical staff, Dr. Meredith Grey and the medical staff filed an action for declaratory relief in state district court against RMC and Integrated seeking to block RMC’s board of directors from adopting new medical staff bylaws without the medical staff’s approval. They are represented by Ben Matlock, a solo practitioner with deep roots in the community. In the past, any changes to the medical staff bylaws had been through a more collaborative process. Members of the medical staff who are employed by Integrated have stated they will not participate in the litigation, but since they are a minority, they don’t have the ability to stop it.

B. Parties Statement of the Issues

Autonomy of Medical Staff v. Governance Authority

Dr. Grey, as the leader of the medical staff and its designated representative for this mediation, believes that the physicians will no longer be able to act with the required level of independence if the new bylaws become effective. She believes that appointments to the medical staff and oversight of credentialed members of the medical staff are critical to meeting their professional and ethical obligations to the patients of RMC and facilitating quality patient care.
RMC and Integrated believe that the medical staff has gone “rogue” and that appointments to the medical staff committees were designed to create a roadblock to necessary changes to the operations of RMC. In effect, they do not believe this is a matter of autonomy, but rather one of turf and that Dr. Grey is pulling strings to protect the interests of her private group practice. They would have liked to work with the medical staff, but in the end strongly believe that a hospital's governing body must have the ultimate authority and responsibility to make all decisions regarding governance of the hospital.

C. Status of the Controversy.

Discovery has taken place and the scheduling order provides that motions for summary judgment will be filed and heard in the next three months.

D. What do the parties hope to accomplish?

The lawyers representing the medical staff and RMC/Integrated realize that there are a number of legal issues of first impression in play and that the stakes of losing in court are much greater than the costs of reaching a compromise solution and have agreed to a good faith attempt at mediation prior to filing motions for summary judgment. There has also been tremendous concern raised in the community since in small towns everyone is connected and the gossip and rumor mills run rampant.

Everyone knows that this lawsuit has ramifications far outside of the RMC community since Integrated has facilities throughout the state.