



Radiation Therapy Oncology v. Providence Hospital, 906 So.2d 904 (Ala. S. Ct. 2005)

Topics Covered: Medical Staff, Hospitals

Outcome: Very Unfavorable

Issue

The issue in this case was whether the medical staff bylaws of Providence Hospital in Mobile, Alabama constrained Providence Hospital from transferring its radiology equipment to a related entity, without compensation. The transfer, which was motivated solely by financial considerations, was designed to "close" the radiology department to the three physicians who were plaintiffs in the lawsuit.

AMA Interest

The AMA supports the enforceability of medical staff bylaws by medical staff members.

Case Summary

Radiation Therapy Oncology was owned by the plaintiff physicians. At all times, these physicians had staff privileges at Providence Hospital, where they were independent contractors.

The medical staff bylaws include the following provisions:

Preamble –

“These bylaws... create a mutually binding agreement between the medical staff and the board of directors [of Providence Hospital] which may not be unilaterally amended.”

Section 5.1 –

“The termination, granting, continuation or restriction of medical staff membership and privileges based on criteria unrelated to clinical qualifications, professional responsibilities or quality of care is prohibited, with the exception of statutory, regulatory, or judicial requirements, or other exceptions which may be defined in the medical staff bylaws. When privileges are granted it also includes the right to exercise those privileges.”

Section 7.7-1 –

"[The] action or recommendation [of the medical staff fair hearing panel] may be affirmed or denied by the board of directors provided that the board limits its consideration to criteria related

to quality of care and does not consider criteria unrelated to the criteria considered by the fair hearing panel."

Beginning in 1997, Providence Hospital attempted to secure more control over the plaintiffs' practice, but the plaintiffs refused to give up their independence. In response, the hospital devised a scheme to deprive the plaintiffs of their ability to practice medicine at the hospital, notwithstanding that the motive for doing so was financial and unrelated to the criteria allowable under § 5.1.

The scheme, in essence, was that the hospital would convey all of its radiology equipment to Seton Medical Management, Inc., a company owned by the same company that owned Providence Hospital. The conveyance would be without compensation to the hospital and would be a sham transaction. The hospital would then refer all of its radiology patients to Seton Medical Management, which was adjacent to Providence Hospital. The plaintiff physicians would retain their staff privileges at Providence Hospital, but without a radiology department these would be meaningless.

After learning of the contemplated conveyance, the plaintiff physicians demanded a hearing before a fair hearing panel of the medical staff to determine whether their privileges were being curtailed and whether the hospital was entitled to enter into such transaction under the medical staff bylaws. The fair hearing panel decided in favor of the plaintiff physicians, and the hospital did not appeal that decision. Nevertheless, the hospital proceeded with the transaction.

The plaintiffs then brought this lawsuit, alleging breach of the medical staff bylaws. In defense, the hospital contended that the medical staff bylaws and the protections they afforded to staff were intended to cover claims involving professional competence, rather than business decisions. The hospital further contended that the conveyance to Seton Medical Management was motivated by various business efficiencies and not by an attempt to deprive the plaintiff physicians of their staff privileges.

The trial court entered summary judgment for the defendants. It held that the decision to "close" the radiology department was a business judgment, which fell outside the purview of the medical staff bylaws and therefore within the discretion of the hospital management. It relied heavily on *Mahan v. Avera St. Luke's*, 621 N.W.2d 150 (S.D. 2001). The plaintiffs appealed the summary judgment directly to the Alabama Supreme Court.

The Alabama Supreme Court affirmed, holding, as did the trial court, that the medical staff fair hearing panel was authorized to determine physicians' professional competence, but the present issue concerned a business judgment, which was outside the purview of the fair hearing panel. The Court further held that the medical staff bylaws empowered the medical staff to offer recommendations only, while "the [hospital] board has the final authority on all staffing decisions."

Litigation Center Involvement

The Litigation Center, through the AMA and the Medical Association of the State of Alabama, filed an amicus curiae brief to support the plaintiffs. The American College of Radiology also joined that brief.

Alabama Supreme Court brief