

LDR650-OB: Medical Law

Legal Summary of Stern V. Lucy Webb Hayes School

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LEGAL SUMMARY OF STERN V. LUCY WEBB HAYES SCHOOL

Facts: Stern v. Lucy Webb Hayes National Training School for Deaconesses and Missionaries 381 F. Supp. 1003 (D. D.C. 1974). The defendants were the hospital and the hospital's board of trustees. From the early 1950's until 1968 management of the hospital was handled almost exclusively by two board trustees Dr. Orem, the Hospital Administrator, and Mr. Ernst, the Treasurer. The defendants are accused of using hospital finances to profit from financial dealings through handpicked financial institutions. Prior to trial, the court set forth the basis of its determinations and resolved that the plaintiff dismissed four trustees and one financial institution. The court then dismissed the complaint to the remaining financial institutions.

Issues: This class action suit in which patients of Sibley Memorial Hospital, challenged various fiduciary aspects of the hospital's management and governance. The defendants are accused of conspiring to enrich themselves through the mismanagement and breach of their fiduciary responsibilities.

Rules: The Board of Directors acted unlawfully with in mismanagement.

Analysis: The court the court found, the trustees had breached their fiduciary duty to supervise the management of the hospital's investments, as demonstrated by the evidence that all of the trustees, with only one exception, were repeatedly elected to the investment committee without ever bothering to object when no meetings were called for more than 10 years, and all approved self-dealing transactions.

Conclusion: The court decided not to remove the defendants from the board, to assess money damages, or to take other more severe actions. However, the court required revised policies and procedures to ensure that all present and future trustees are informed of the requirements of the law and that they fully disclose all hospital transactions with any financial institutions in which they have an interest or position.

References

LawSchoolCaseBriefs.net. (1970, January 1). Stern v. Lucy Webb Hayes National Training School for Deaconesses and Missionaries case brief. Retrieved from <http://www.lawschoolcasebriefs.net/2013/11/stern-v-lucy-webb-hayes-national.html>.

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