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## Doctors Claim Memorial Hermann Sabotaged Competing Hospital

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**HOUSTON -- Note: The following story is a verbatim transcript of an Investigators story that aired on Friday, Dec. 14, 2007, on KPRC Local 2 at 10 p.m.**

This week, lawyers had their first battle in a high-profile lawsuit between Memorial Hermann and doctors who tried to open a competing hospital.

Tonight, Local 2 investigative reporter Amy Davis digs into the details of the lawsuit. Could it expose a dirty side of healthcare?

The "pie" was the new hospital, and doctors who created it claim Memorial Hermann illegally put it out of business. More than 100 doctors invested millions of dollars to open Town & Country Hospital at the Katy Freeway and Beltway 8 -- just miles away from Memorial Hermann's Memorial City Hospital.

Many of the doctors worked at Memorial Hermann, but say they were frustrated with a big hospital system and felt they could give better patient care by opening up their own hospital. A little more than a year after the doors opened, the hospital closed.

"When Memorial Hermann learned the doctors had invested and supported it, they went out to kill the hospital and they went out to punish the doctors," said plaintiff's attorney Richard Zook, a partner with Thompson & Knight LLP.

"This hospital (Memorial Hermann), which is a charity hospital, was cutthroatly trying to make a profit at the expense of a broad care and charity care and care period for the public," said plaintiff's attorney Rusty Hardin. "And they're (the public) not going to like what they see in these documents."

Those documents are part of a \$100 million lawsuit filed by the doctors. It's filled with stunning allegations, claiming Memorial Hermann led a campaign "threatening potential investors," "lost sight of its charitable mission," and orchestrated an "illegal boycott" of insurance companies against Town & County. They claim that boycott put the hospital out of business.

"This hospital was conceived, delivered and then murdered," said Dr. Robert Vanzant, an investor in the hospital. "And it hurts."

Talking on camera for the first time, Vanzant says when word was out he was considering investing in Town & Country, Memorial Hermann CEO Dan Wolterman came to his office with a message. Vanzant says Wolterman told him Memorial Hermann could revoke his hospital privileges should he decide to invest.

"I felt threatened," said Vanzant.

"Did Memorial Hermann intentionally try to sabotage town and country hospital?" Davis asked.

"No, we did not do anything other than our usual competitive practices," said Dr. John Zerwas, the chief medical officer for Memorial Hermann.

Memorial Hermann says Town & Country's demise was its own doing, including in-house fighting within its own management.

Zerwas says Memorial Hermann is dedicated to charity care and denies illegally interfering in any of Town & Country's insurance contracts.

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"Somehow, some force was acting in the background sabotaging us," said Dr. Richard Pohil, an investor in Town & Country Hospital.

"Eventually, we began to understand the Memorial (Memorial Hermann) systems were putting their fingers in the pie," said Dr. Harold Fields, another investor in Town & Country Hospital.

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"Did Memorial Hermann threaten or tell insurance companies if they signed on with Town & Country, their rates would be raised at Memorial Hermann?" Davis asked.

"I can't speak to what was specifically said in any private conversations," said Zerwas. "What I will say is that negotiations with insurance companies is a daily part of our business."

Memorial Hermann says it did ask certain doctors who invested in Town & Country to leave positions on its business-related boards, but kept all the doctors on its medical staff. It believes investing doctors created their own conflict of interest because they would have a financial incentive to send certain patients to Town & Country.

Memorial Hermann would not comment on any conversations its CEO had with Dr. Vanzant.

Memorial Hermann has asked a judge to keep a long list of documents sealed from the public in this case. The doctors say that amounts to a unfair gag order.

The judge has yet to make a final decision.

**If you have a news tip or question for KPRC Local 2 Investigates, drop them an e-mail or call their tipline at (713) 223-TIPS (8477).**

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