4-DIGIT BGID: ________

Contracts 5/17/13
Professor Macintosh 1 ½ Hours
Essay Closed Book

PROFESSOR’S INSTRUCTIONS

THESE QUESTIONS MUST BE RETURNED AT THE END OF THE EXAM.

1. This exam contains two pages, not including the cover page. If you do not have all these pages please raise your hand.

2. Discuss all issues, even if one issue will determine the outcome.

3. Your answer should be thorough but concise. Do not discuss legal principles in the abstract--apply them to the facts of the question.

4. If you need more facts to resolve an issue, identify those facts and explain their relevance.

STOP! DO NOT FLIP THIS COVER PAGE UNTIL TOLD TO DO SO BY THE PROCTOR!
Rural Hospital is a 30 bed facility located in a farming community. For many years, Dr. Sean Smith was the only hospitalist on its staff. (A “hospitalist” is a physician who treats only hospitalized patients.) The workload was too much so he threatened to quit when his contract expired unless Rural Hospital hired another doctor to help out.

In December 2011, Rural Hospital hired a consultant ($5,000) to run a search to find a second hospitalist. The consultant found several candidates, but none wanted to live in the farming community. However, Rural Hospital was impressed by the credentials of Dr. Jennifer Jones, a hospitalist who lived 40 miles away in Big City. Dr. Jones worked nights (7:00 p.m. to 3:00 a.m.) at Big City Hospital; her monthly salary there was $20,000.

On January 1, 2012, Rural Hospital and Dr. Jones signed a written contract. Under the written terms of the contract, the parties agreed as follows:

* Dr. Jones would work as a hospitalist from January 1, 2012, to December 31, 2013 on an “as needed” basis. Rural Hospital had the right to determine her schedule, but could not require her to work for more than fifteen 24-hour shifts per calendar month.

* For each 24-hour shift, Dr. Jones would work in Rural Hospital for 8 hours (10:00 a.m. to 6:00 p.m.) at a rate of $100 per hour. She would be on call for the remaining 16 hours (12:00 midnight to 10:00 a.m. and 6:00 p.m. to 12:00 midnight) at a rate of $25 per hour. Wages due per 24-hour shift would be $1,200, so she would earn $18,000 in a month where she worked the maximum of fifteen shifts. Payment was to be made monthly on the last day of each month.

* The contract defined “on call” this way: Dr. Jones would be available to take calls from Rural Hospital and provide advice over the telephone. If Rural Hospital asked her to be physically present, she would arrive there within 30 minutes after she was called.

Before signing the contract Dr. Jones reminded Rural Hospital that she worked nights at Big City Hospital and lived 40 miles away from Rural Hospital. Rural Hospital said “that’s not a problem because emergency room doctors can handle things until you get here.”

Dr. Jones worked at Rural Hospital for over a year (January 1, 2012 through March 31, 2013) without any obvious problems. During that time, Rural Hospital scheduled her for the full fifteen shifts each month. These shifts were ordinarily arranged to cover periods of time when Dr. Smith was off duty.

Dr. Jones typically received many telephone calls during the on-call portion of her 24-hour shifts. However, she was always able to resolve the calls over the phone and was never summoned to deal with an emergency at Rural Hospital. Throughout this period she continued to work nights at Big City Hospital.

On April 1, 2013, Dr. Jones was surprised to receive a letter from Rural Hospital. It said she was “out of compliance” with the contract provision requiring her to arrive within 30 minutes if summoned
during on-call hours. It asked her to quit her job at Big City Hospital and move closer to Rural Hospital. Dr. Jones set the letter aside and did not respond.

Rural Hospital did not schedule Dr. Jones for any 24-hour shifts during the month of April 2013. Instead, it relied on Dr. Smith, who had to work his own shifts plus the fifteen shifts that would have been assigned to Dr. Jones. Dr. Smith complained of exhaustion.

On May 1, 2013, Dr. Jones received a termination of contract notice from Rural Hospital.

Dr. Jones is furious. She believes that Rural Hospital owes her money for the fifteen shifts she could have worked during April 2013.

In addition, she claims that Rural Hospital had no right to terminate the contract. She insists it is liable to pay her for the eight months that remained in the contract term (May 1, 2013 through December 31, 2013). Without the extra income from this contract, she will not be able to help pay for her elderly mother’s long-term care.

Rural Hospital is equally unhappy. It figures the cost of searching for another hospitalist will be at least $5,000, and there is no guarantee that a competent specialist can be found.

DISCUSS THE RIGHTS AND LIABILITIES OF THE PARTIES.

END OF EXAMINATION