

CAUSE NO. 2007-39019

CRYSTAL CASSIDY, THE AMERICAN §
ACADEMY OF EMERGENCY §
MEDICINE and THE TEXAS ACADEMY §
OF EMERGENCY MEDICINE, §
Plaintiffs §

VS. §

TEAMHEALTH, INC., TEAMHEALTH, §
P.A., MEMORIAL HERMANN §
HEALTHCARE SYSTEM and ACS §
PRIMARY CARE PHYSICIANS §
SOUTHWEST, P.A., §
Defendants. §

IN THE DISTRICT COURT

HARRIS COUNTY, TEXAS

IN THE 80 DISTRICT COURT

FILED
JUL 12 2007
PM 4:30
CLERK OF DISTRICT COURT
HARRIS COUNTY TEXAS

**PLAINTIFFS' ORIGINAL PETITION AND SUIT FOR
DECLARATORY JUDGMENT**

TO THE HONORABLE JUDGE OF THIS COURT:

Plaintiffs CRYSTAL CASSIDY ("CASSIDY"), THE AMERICAN ACADEMY OF EMERGENCY MEDICINE ("AAEM") and THE TEXAS ACADEMY OF EMERGENCY MEDICINE ("TAEM"), hereby file this suit for Declaratory Judgment against TEAMHEALTH, INC. ("TeamHealth"), TEAMHEALTH, P.A., MEMORIAL HERMANN HEALTHCARE SYSTEM ("Memorial Hermann") and ACS PRIMARY CARE PHYSICIANS SOUTHWEST, P.A. ("ACS") and will show as follows:

**I.
THE PARTIES**

1. Plaintiff Crystal Cassidy is an emergency department physician practicing emergency medicine in Harris County, Texas. She resides in Harris County, Texas. Plaintiff AAEM is a national professional society representing over 5,000 specialists in emergency medicine

throughout the country, including in Texas. Plaintiff TAEM is the Texas Chapter of the American Academy of Emergency Medicine.

2. Defendant TeamHealth, Inc. is a Tennessee corporation, with its headquarters located at 1900 Winston Road, Suite 300, Knoxville, TN 37919. TeamHealth may be served with process through its registered agent, Corporation Service Company d/b/a CSC-Lawyers Incorporating Service Company at 701 Brazos Street, Suite 1050, Austin, Texas 78701.

3. Defendant TeamHealth, P.A. is a Professional Association located at 1900 Winston Road, Knoxville, TN 37919. TeamHealth, P.A. may be served with process through its registered agent, Corporation Service Company d/b/a CSC-Lawyers Incorporating Service Company at 701 Brazos Street, Suite 1050, Austin, Texas 78701.

4. Defendant Memorial Hermann Healthcare System is a Texas Nonprofit Corporation and may be served with process through its Registered Agent, V. Randolph Gleason, at 7737 Southwest Freeway, Suite 200, Houston, Texas 77074.

5. Defendant ACS Primary Care Physicians Southwest, P.A. is a Professional Association and may be served with process through its Registered Agent, Corporation Service Company d/b/a CSC-Lawyers Incorporating Service Company at 701 Brazos Street, Suite 1050, Austin, Texas 78701.

II. **JURISDICTION AND VENUE**

6. Jurisdiction and venue in this action is proper and maintainable in Harris County, Texas under Civil Practice and Remedies Code § 15.002(a) because the events or omissions giving rise to this suit occurred in Harris County, Texas. More specifically, the unlawful corporate practice of medicine has occurred and is continuing to occur in Harris County, Texas. Additionally, AAEM represents many Emergency Department Physicians in Texas.

III.
FACTS

7. Cassidy currently has privileges to provide care as an emergency department physician with the Memorial Hermann. Additionally, she has been asked to sign a contract with TeamHealth's local affiliate, ACS Primary Care Physicians Southwest, P.A. A true and correct copy of this contract is attached hereto as Exhibit A. However, prior to signing this contract, Cassidy seeks a declaration from this court regarding whether this contractual agreement constitutes the unlawful corporate practice of medicine doctrine. Cassidy wants to be sure that she is not unwittingly engaging in the unlawful corporate practice of medicine by signing an illegal contract or aiding and abetting such illegal conduct by remaining silent while other physicians enter into these contracts. AAEM is a national professional society representing over 5,000 specialists in emergency medicine throughout the country, and has a vital interest in maintaining the legality and integrity of the practice of emergency medicine. TAEM is the Texas Chapter of AAEM.

8. Memorial Hermann has the non-delegable duty to staff the emergency department, as this is an essential service of the hospital. However, Memorial Hermann signed a Letter of Understanding with TeamHealth that allowed for TeamHealth to provide emergency department staffing and management services to eight (8) suburban hospitals in the Memorial Hermann Healthcare System. Accordingly, TeamHealth has begun staffing and managing six of the eight hospitals effective June 18, 2007: Memorial Hermann Southwest, Memorial City, Southeast, Northwest, The Woodlands and Northeast. The TeamHealth contract becomes effective in October of 2007 for the Sugar Land and Katy hospitals.

9. TeamHealth is a for-profit business corporation. Texas law prohibits corporations from providing medical services. Under Texas law, it is illegal for a corporation to engage in the

practice of medicine. Known as the “corporate practice of medicine” doctrine, § 165.156 of the Medical Practice Act makes it unlawful for any individual, partnership, trust, association or corporation by use of any letters, words, or terms, as an affix on stationary or advertisements or in any other manner, to indicate the individual, partnership, trust, association or corporation is entitled to practice medicine if the individual or entity is not licensed to do so. In their Prospectus filed with the Securities and Exchange Commission, TeamHealth acknowledged the corporate practice of medicine doctrine and their attempt to get around this issue by structuring their business as described below.

10. Cassidy and the other physicians employed by Memorial Hermann have been asked to sign contracts with ACS Primary Care Physicians Southwest, P.A. (“ACS”). ACS is an entity that has been set up by TeamHealth¹ merely to attempt to circumvent the prohibition against the corporate practice of medicine. As can be discerned from both a press release put out by Memorial Hermann (attached hereto as Exhibit B) and information on the TeamHealth website (attached hereto as Exhibit C), TeamHealth’s attempt to do indirectly what it cannot legally do directly is not effective. Simply put, TeamHealth is really in charge. ACS is not mentioned anywhere in either document. It is quite clear that ACS is no more than a shell professional association being used by TeamHealth to disguise the “for-profit” nature of the venture. This professional association is nothing more than a sham with all physician fees billed and collected directly by Team Health.²

11. As an emergency department physician, Cassidy has a duty to protect the patient-

¹ According to the Texas Secretary of State, as of June 15, 2007 (which is the same date that TeamHealth will begin staffing and managing the Memorial Hermann hospitals), Richard Carvolth is the Member, Director, President, Vice-President, Secretary and Treasurer for ACS. According to the TeamHealth website, Mr. Carvolth is also the CEO for TeamHealth West, a division of TeamHealth, Inc. Additionally his address is the same address that is listed as the headquarters for TeamHealth at www.teamhealth.com.

² As further evidence of the unlawful corporate practice of medicine, through ACS, TeamHealth is responsible for such issues as peer review activities, hiring and termination of physicians and physician duties.

physician relationship and act as the patient advocate against corporate profit motives, such as those that exist as stated above. Therefore, all contractual relationships that are tainted by such illegal underpinnings must be declared illegal as a violation of the corporate practice of medicine doctrine.

IV.

CAUSE OF ACTION—UNLAWFUL CORPORATE PRACTICE OF MEDICINE

12. Plaintiffs incorporate the foregoing paragraphs herein by reference.

13. As shown above, Defendants have engaged in and continue to engage in the unlawful corporate practice of medicine in violation of the Medical Practice Act. TEX. OCC. CODE § 151.001 *et seq.*

14. In light of the above, Plaintiffs seek a declaration stating that the contract entered into between TeamHealth and Memorial Hermann Healthcare System in Houston, Texas that became effective on or around June 15, 2007, is void because it violates the corporate practice of medicine doctrine.

15. Additionally, Plaintiffs seek a declaration stating that the proposed contract between Cassidy and ACS, attached hereto as Exhibit A, is void because it violates the corporate practice of medicine doctrine.

V.

CONCLUSION

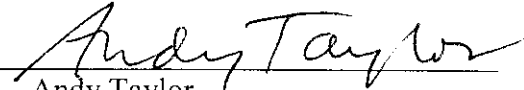
For the reasons detailed above, Plaintiffs Crystal Cassidy, The American Academy of Emergency Medicine and The Texas Academy of Emergency Medicine respectfully request that this Court determine the following:

- a. The contract entered into between TeamHealth and Memorial Hermann Healthcare System in Houston, Texas that became effective on or around June 15, 2007, is void because it violates the corporate practice of medicine;

- b. The proposed contract between Cassidy and ACS, attached hereto as Exhibit A is void because it violates the corporate practice of medicine doctrine;
- c. Reasonable and necessary attorneys fees;
- d. All costs of suit; and
- e. All other and further relief to which Plaintiffs may show themselves to be justly entitled.

Respectfully Submitted,

ANDY TAYLOR & ASSOCIATES, P.C.

BY: 

Andy Taylor
State Bar No. 19727600
Amanda Peterson
State Bar No. 24032953
405 Main Street, Suite 200
Houston, TX 77002
713-222-1817 (telephone)
713-222-1855 (facsimile)

ATTORNEYS FOR PLAINTIFFS CRYSTAL
CASSIDY, THE AMERICAN ACADEMY OF
EMERGENCY MEDICINE, AND THE TEXAS
ACADEMY OF EMERGENCY MEDICINE

PHYSICIAN INDEPENDENT CONTRACTOR AGREEMENT

THIS AGREEMENT (the "Agreement") is made effective the 18th day of June, 2007, between ACS PRIMARY CARE PHYSICIANS SOUTHWEST P.A. ("ACS") and Crystal C. Cassidy, M.D. ("Physician").

The parties agree as follows:

1. Physician Duties. Physician will render professional medical services ("Services") to the patients of one or more Facility(ies) designated on Exhibit A and such other hospital(s) and/or healthcare facility(ies) agreed upon by ACS and Physician (individually, a Facility; collectively, "Facility(ies)") in accordance with the applicable bylaws, policies, rules, and requests of Facility(ies) and all applicable directives of any and all applicable governmental and regulatory bodies having competent jurisdiction.
2. Licensure and Qualifications. Physician warrants that Physician has the following licenses and Physician shall maintain all such licenses and certifications current at all times during this Agreement: a license to practice medicine and other state-required certifications in the state(s) where Services are to be provided; all certifications required by the Facility(ies), including applicable Advanced Cardiac and Trauma Life Support and Pediatric Advanced Life Support Certificates, applicable controlled substances registrations issued by the United States Drug Enforcement Administration and, if applicable, the state(s) where Services are to be provided; and, any other credentials and/or certifications, without limitation, which may be required by Facility(ies) or ACS.
3. Scheduling. Physician agrees to provide Services to patients of Facility(ies) during mutually agreeable shifts, including holidays as necessary. For each month that this Agreement is in effect, Physician will (as requested by ACS or its designee) notify ACS or its designee of the days and shifts Physician is not available to provide Services to patients of Facility(ies). When scheduling clinical shifts, ACS shall use reasonable efforts to accommodate Physician's availability. In the event Physician does not provide coverage for any scheduled shift (exceptions will be made for death, disability, acute severe illness, natural disaster or similar circumstances) and ACS retains physician(s) to provide coverage in Physician's absence, then Physician shall be responsible for any costs incurred by ACS in providing such coverage [including, without limitation, the compensation paid to such physician(s)] in excess of the amount which ACS would have otherwise paid to Physician for such coverage. Physician agrees that any amounts owed to ACS pursuant to this Section 1.1 may be deducted from Physician's compensation hereunder.
4. Term. This Agreement shall begin on June 18, 2007, or earlier upon mutual consent of the parties, provided Facility(ies) has/have extended privileges (and, as applicable, Facility's[ies]) medical staff(s) has/have awarded membership) to Physician and provided ACS has commenced staffing at Facility(ies). This Agreement shall remain in effect until terminated by either party subject to the termination provisions set forth in this Agreement.
5. Physician Payment. Physician shall be paid for Services provided to patients of Facility(ies) hereunder as may from time to time be agreed upon between ACS and Physician. The parties initially agree to the payment schedule attached hereto as Exhibit "A". Physician's

compensation shall be payable on the later of: (i) the 15th day of the month immediately following the month in which the services were rendered, or (ii) within fifteen (15) days of the date Physician has provided ACS with an invoice showing the number of shifts or hours worked by Physician during the previous month. The Physician's payment month shall be concurrent with ACS' midmonth billing cycle as determined annually by ACS.

6. Facility Privileges/Medical Staff Membership. Physician's contractual relationship with ACS is contingent upon Physician obtaining and retaining the appropriate continuous privileges to practice Services at Facility(ies) and appropriate Facility(ies) medical staff membership. Upon termination of this Agreement, Physician acknowledges and agrees that unless otherwise requested in writing by Facility(ies), Physician's privileges to provide Services at Facility(ies) and Facility(ies) medical staff membership shall immediately terminate.

7. Standard Terms and Conditions. This Agreement incorporates ACS's Standard Terms and Conditions attached hereto as Exhibit "B" and made a part hereof as though fully repeated herein verbatim. Physician agrees to abide by the Standard Terms and Conditions set forth in Exhibit "B".

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year above written.

ACS: ACS PRIMARY CARE PHYSICIANS SOUTHWEST P.A.

By: _____
P.O. Box 788
Pleasanton, CA 94566

Date: _____

Physician: _____
Crystal C. Cassidy, M.D.
526 Trails End
Houston, TX 77024

Date: _____

**EXHIBIT A
TO
PHYSICIAN INDEPENDENT CONTRACTOR AGREEMENT**

1. INDEPENDENT CONTRACTOR

Crystal C. Cassidy, M.D.
526 Trails End
Houston, TX 77024

Memorial Hermann Facility(ies);

Memorial Hermann Memorial City
921 Gessner Road
Houston, TX 77024

Memorial Hermann Northeast (Start Date 7/1/07)
18951 Memorial North
Humble, TX 77338

Memorial Hermann Northwest
1635 North Loop West
Houston, TX 77008

Memorial Hermann Southeast
11800 Astoria Blvd.
Houston, TX 77089

Memorial Hermann The Woodlands
9250 Pinecroft
The Woodlands, TX 77380

3. AGREEMENT COMMENCEMENT DATE

June 18, 2007

4. CONTRACT AMOUNT:

A. June 18, 2007 through December 15th, 2007: \$180 per hour of clinical service

B. Beginning December 16, 2007: Physician will be eligible for payment as follows:

1. Base Hourly Payment: Physician will receive \$76.00 per patient care hour worked at the above listed facilities.
2. RVU Incentive Payment: Physician will receive RVU Incentive Payments determined by multiplying total Physician RVUs billed for the month times the Multiplier Value for the applicable facilities listed above.

A Multiplier Value will be determined by taking the total funds available for Physician Incentive Distribution for the applicable facility divided by the total facility Physician generated RVUs. Physician will be paid at the rate of this Multiplier Value times the actual number of Physician's RVUs billed for the month (Physician RVUs X Multiplier). This multiplier shall be subject to adjustment from time to time without written amendment to this Agreement in accordance with changes in ACS's professional liability insurance costs and changes in state and federal reimbursement applicable to Physician's Services. ACS agrees to give Physician written notice of any adjustments to Physician's payment at least 30 days prior to the implementation date of any adjustments to Physician's payment. It is further agreed that such adjustments to Physician's payment may occur only once in any twelve (12) month period. Periodic increases in Physician compensation shall not be counted toward the one change per twelve month period adjustment limit. It is anticipated that this RVU incentive payment would be approximately \$76 per hour as a total facility average.

In addition to the above listed payment beginning December 16, 2007 if the Physician works 1,440 annual patient care hours consisting of at least 360 patient care hours in any rolling quarter, the Physician will also be eligible for the following payments:

3. Practice Enhancement Program: An annual Practice Enhancement Program ("PEP") allowance will be paid monthly.

The PEP will be paid concurrent with the monthly payment, at an annual rate of \$24,000 per year or \$2,000 per month.

4. Semi-Annual Memorial Hermann Physician Incentive Plan: Physician would be eligible to participate in the Semi-Annual Physician Incentive Plan ("Memorial Hermann PIP") for the combined Memorial Hermann Facilities.

The Memorial Hermann PIP will be determined by taking; Combined Facility gross professional collections, less Combined Facility provider expenses (including but not limited to; provider payment, malpractice and other provider costs) and less Combined Facility management services (including but not limited to; billing and collection fees, local, regional and national support services, overhead and contribution margin). Sixty percent (60%) of any surplus (or deficit) will be allocated to the Memorial Hermann PIP.

Distribution to eligible (as described below) individual Physicians will be based upon to be determined System and Individual Facility goals. PIP will be distributed within 45 days after the end of the semi-annual period.

In the event of a PIP deficit, the deficit amount would be carried forward and applied against future surpluses and not allocated out and deducted from the Physician.

To be eligible for participation in the Memorial Hermann PIP, the following conditions must also be met:

- a) Physician must have an active Agreement with ACS as of the end date of the Semi-Annual period;
- b) Physician must have an active Agreement with ACS commencing no later than the beginning date of the semi-annual period, and;
- c) Physician should have no significant performance complaints in the semi-annual period. If Physician has significant complaints in the semi-annual period, a portion of the PIP may be withheld after performance review of the Physician with the Medical Director, and the System Medical Director, and;
- d) Physician must have completed all chart documentation in a timely manner as determined in the sole discretion of the Regional Medical Director.

ACS shall have the discretion to modify the Memorial Hermann PIP from time to time at its reasonable discretion upon written notice to Physician.

ACS: ACS PRIMARY CARE PHYSICIANS SOUTHWEST P.A.

By: _____
P.O. Box 788
Pleasanton, CA 94566

Date: _____

Physician: _____
Crystal C. Cassidy, M.D.
526 Trails End
Houston, TX 77024

Date: _____

EXHIBIT "B"
STANDARD TERMS AND CONDITIONS
TO
PHYSICIAN INDEPENDENT CONTRACTOR AGREEMENT

This Exhibit B is a part of the Physician Independent Contractor Agreement between ACS PRIMARY CARE PHYSICIANS SOUTHWEST P.A. ("ACS") and Crystal C. Cassidy, M.D. ("Physician"), entered into as of the Effective Date to the same extent as if it were set forth in full in such Agreement. Unless otherwise noted, all capitalized terms used herein shall have the same defined meaning as set forth in the Agreement. The Standard Terms and Conditions are as follows:

1. Independent Contractor Relationship. Physician's relationship to ACS is that of an Independent Contractor for the purposes provided. Physician does not perform Services on behalf of ACS. In performing Services as an Independent Contractor, Physician does so on behalf of Physician's patients in accordance with Physician's responsibility to exercise independent professional medical judgment in the performance of Physician's duties hereunder. ACS does not exercise any control or direction over the methods by which Physician performs Services to patients. Physician agrees to perform Services in accordance with currently approved and established methods and practices in the field of medicine. Physician is not to be considered under this Agreement or otherwise as having an employee status or as being entitled to participate in any employee benefit plans, arrangements, distribution or other similar benefits which may be provided by ACS or Facility(ies) for employees. Accordingly, Physician shall be free to dispose of such portions of Physician's time, energy, and skill during such times as Physician sees fit, including providing Services at other hospitals or healthcare facilities, subject to the Physician Covenants set forth in this Agreement, unless otherwise obligated to ACS under this Agreement.

2. Representations. Physician represents and warrants that prior to commencing Services at Facility(ies) pursuant to this Agreement, Physician has fully and accurately completed all risk management questionnaires, disclosures, applications, requests for information and other documentation requested by ACS or a Facility (collectively "Physician Information"). Physician acknowledges that all responses made by Physician within the Physician Information are accurate, true and correct to the best of Physician's knowledge. Physician understands that ACS is relying on this representation in entering into this Agreement. Physician shall notify ACS immediately of any material changes in the Physician Information and this will be an ongoing obligation of Physician throughout the term of this Agreement. Physician agrees to notify ACS immediately if Physician: is notified of any proposed adverse action or any professional review action against Physician taken by any hospital, healthcare facility, insurance company, managed care organization, governmental agency, or other entity; becomes aware of the filing of any report regarding Physician with the National Practitioner Data Bank; becomes aware of the service of any document alleging professional negligence or other injury arising from Physician's medical practice; or, if Physician is arrested, pleads no contest, pleads guilty, is indicted or is convicted for anything other than a misdemeanor motor vehicle infraction.

3. Documentation; Billing and Collections. Physician agrees that ACS's or Facility's(ies') (as applicable) designated billing company shall be entitled to bill and collect for Services rendered by Physician free and clear of any claim by Physician. Physician agrees to do everything required to assist in the billing and collection of fees for Physician's Services. To the extent permitted under applicable law, Physician assigns all rights to those fees to ACS or Facility(ies) (as applicable), or the entity handling the billing and collection. Physician agrees to send ACS all payments Physician receives for Services Physician performs under this Agreement. Physician agrees to accurately and completely document patient medical records according to standard medical, Facility(ies), and governmental guidelines. Physician agrees to complete all medical records before leaving at the end of each shift. Physician agrees to complete and return, within five days, all requested billing documents, including applications, authorizations, enrollment forms, agreements and other requested documents. If Physician does not complete Physician's medical records or billing documents within the time specified, ACS may withhold all or part of Physician's fee or remove Physician from the schedule until those records and documents are complete.

4. Managed Care. Physician shall participate in any third party payer contracts, managed care contracts and managed care plans with which ACS or Facility(ies), as applicable, may contract or affiliate. Physician also agrees to refrain from entering into any such third party payer contracts at Facility(ies) without the prior written consent of ACS. Physician agrees to execute all documents requested by ACS or Facility(ies) to evidence Physician's participation and further authorizes ACS or Facility(ies), as applicable, to exercise, waive, and represent Physician's rights and interests under such third party payer contracts and to negotiate, execute and deliver such third party payer contracts on Physician's behalf.

5. Malpractice Insurance and Risk Management Compliance.

5.1. ACS shall procure professional liability insurance (PLI) covering Physician for Services rendered by Physician under this Agreement with coverage limits not less than Five Hundred Thousand Dollars (\$500,000) per incident or occurrence, and One Million Dollars (\$1,000,000) in the annual aggregate. If such insurance is maintained on a claims-made basis, ACS shall continue such insurance throughout the term of this Agreement. Upon the termination of this Agreement, or the expiration or cancellation of the insurance, ACS shall arrange for the purchase of either (i) an extended reporting endorsement in perpetuity ("Tail Coverage"), or (ii) "Prior Acts" coverage from any new insurer with a retroactive date on or prior to the date Physician began performing services at Facility or Company shall maintain continuous coverage with the same carrier for the period of the statute of limitations for personal injury.

5.2 If requested by ACS, Physician agrees to cooperate and comply with all ACS, and/or Facility requirements for risk management, compliance, loss prevention and PLI regardless of the manner in which coverage is provided, including but not limited to the following: (i) Physician shall timely and accurately complete all underwriting applications and questionnaires presented to Physician by ACS; (ii) Physician shall fully and timely participate with ACS's, and/or Facility's risk management, compliance, loss prevention, PLI and other measures and initiatives as are from time to time adopted by ACS, Facility(s), or ACS's insurance carrier; and (iii) Physician shall timely report to ACS's and Facility's(ies') designated representative all potential or actual malpractice incidents, claims or lawsuits arising against Physician immediately upon becoming aware of the same.

6. Physician Termination.

6.1 Termination For Cause by ACS. This Agreement may be immediately terminated by ACS for cause upon any material breach of this Agreement by Physician which shall include, but not be limited to, the following events:

6.1.1 Physician's failure to make himself/herself available to provide the agreed upon number of shifts as scheduled by ACS under this Agreement;

6.1.2 Physician's failure to follow the ordinary standards of medical care or other similar medical cause as determined by the standard of care in the community;

6.1.3 Loss, restriction or suspension of Physician's license to practice medicine, DEA number and/or hospital and/or healthcare facility privileges;

6.1.4 Physician's suspension, debarment or exclusion from any federal healthcare program or private payer program;

6.1.5 If Physician is determined to be, in the sole discretion of ACS, ineligible for ACS's PLI program for any reason;

6.1.6 If a hospital or healthcare facility requests that Physician be removed or no longer scheduled for any reason that ACS and Physician have been unable to satisfactorily address;

6.1.7 Physician's misrepresentation or misstatement in, or omission from, any of the Physician Information or Physician's failure to comply with the requirements of ACS's risk management, compliance, loss prevention, PLI and other programs after reasonable notice of non-compliance has been provided to Physician by ACS;

6.1.8 Acts of Physician which involve professional misconduct, dishonesty, moral turpitude, criminal acts or any act which in the good faith judgment of ACS impairs or adversely affects the relationship between ACS and a hospital, healthcare facility or other entity with which ACS does business;

In addition to the above items of breach, this Agreement may be immediately terminated if the contract between ACS and a Facility is not entered into, is terminated, expires or is not renewed, or if ACS ceases to provide staffing services at a Facility at which Physician is providing services.

6.2 Termination Without Cause. Either party may terminate this Agreement without cause by giving written notice of termination to the other party not less than 120 days prior to the date of termination. If either Physician or ACS terminates this Agreement without cause, Physician shall be required to fulfill all contracted obligations throughout the notice period. If Physician terminates this Agreement without cause and fails to fulfill all contracted obligations through the notice period, Physician agrees to reimburse ACS for its direct costs of obtaining replacement coverage to fill Physician's abandoned shifts. Physician agrees that this payment may be deducted from Physician's final check.

7. Physician Responsibility. Physician hereby agrees to be responsible to ACS for Physician's violation of any state or federal law, rule or regulation governing the Services provided by Physician and concerning tax withholding of whatever kind or nature claimed by reason of the Independent Contractor relationship between the parties as set forth in this Agreement.

8. Confidentiality and Non-Disclosure. Physician agrees at all times during the term of this Agreement and following the termination of this Agreement, to maintain in all respects, and not to disclose to any third party, any confidential or private information relating to the business practices, operations, contracts, trade secrets, pricing and any other confidential information of ACS, including the terms of this Agreement.

9. Physician Covenants. Physician acknowledges that ACS has a protectable business interest in its relationships with hospital and healthcare system clients, employees, and contractors (including any contract physician, nurse practitioner and/or physician assistant), all of which have been developed by ACS at ACS's considerable effort and expense. Physician agrees that during the term of this Agreement and for one (1) year following expiration or termination of this Agreement for any reason, Physician shall not, either individually, or in affiliation with any other person, entity or third party, do any of the following without the prior written consent of ACS:

- (i) directly or indirectly solicit or interfere with ACS's current contract or business relationships with any hospital, healthcare system, employee, or contractor (including any contract physician, nurse practitioner and/or physician assistant), including encouraging or inducing any of the foregoing to terminate or modify their relationship with ACS or its affiliates; or
- (ii) except as described below, provide Services at or contract with, other than in affiliation with ACS, any Facility at which Physician is contracted to provide Services pursuant to this Agreement.

Notwithstanding the above, following termination of this Agreement, Physician may continue to provide services at a hospital at which Physician provided services under this Agreement if all of the following conditions are met: (i) this Agreement is terminated because the contract between ACS and the hospital at which Physician was rendering services was terminated or not renewed; (ii) Physician has not procured, been a procuring cause of, contributed to, directly or indirectly, solicited or interfered with or played any role in the termination or non-renewal of the contract between ACS and the hospital; (iii) Physician executes a sworn affidavit verifying the above. ACS is relying upon these covenants in entering into this Agreement. In the event of a breach of this covenant, ACS shall be entitled to injunctive relief, in addition to such other relief as may be proper. If a court determines that this covenant is unreasonable, ACS may enforce this covenant under such terms found to be reasonable by such court.

10. Entire Agreement; No Waiver. This Agreement and the attached exhibits represent the complete agreement between the parties. This Agreement does not become binding until executed by Physician and ACS. Except for adjustments to Physician's fees as provided by this Agreement, which shall not require a written amendment, only written modifications or amendments that both parties agree upon are enforceable. Neither party shall lose any rights under this Agreement by delaying its actions. If either party chooses to ignore any violation of this Agreement, it does not mean the party consents to future violations.

11. Governing Law. Texas law shall govern the rights and obligations under this Agreement. Legal proceedings for breach of this Agreement shall be commenced within twelve (12) months of any alleged breach.

12. Enforcement; Severability; Surviving Clauses. If the law requires less restriction than what the parties have agreed to in this Agreement, the restriction will be as much as the law allows. If one part of this Agreement is judged to be unenforceable, the rest of this Agreement stays in force. The obligations in this Agreement are still applicable after its termination. This Agreement is binding on both parties, and their respective heirs, successors and approved assigns. This Agreement is intended solely for the benefit of the parties. All other parties, named or unnamed, shall have no rights or remedies under this Agreement except as expressly otherwise agreed by the parties.

13. Enforcement Costs; Attorneys' Fees. Attorneys' fees and any costs of a proceeding for enforcing this Agreement will be paid by the losing party.

14. Assignment. Physician may not sell, assign, transfer or otherwise convey any of Physician's rights or delegate any of Physician's duties under this Agreement without the prior written consent of ACS. ACS may assign this Agreement upon written notice to Physician.

15. HIPAA Compliance. Except as otherwise permitted by applicable law, Physician agrees that while providing Services under this Agreement, Physician will not use or disclose certain confidential, proprietary, and nonpublic financial and other information concerning patients in violation of the requirements of 45 CFR Section 165.504 and 164.506(e)1, known as the Health Insurance Portability and Accountability Act of 1996 Privacy and Security Standards ("HIPAA"), which are incorporated by reference. In addition, Physician expressly agrees to comply with HIPAA in all respects, including actively ensuring the implementation of all necessary safeguards to prevent such disclosure.

16. Representations and Warranties. Physician represents and warrants that he/she: (i) is not currently or in the past been excluded, debarred or otherwise ineligible to participate in the Federal health care programs as defined in 42 U.S.C. § 1320a-7b(f) (the "Federal Health Care Programs"); (ii) has not been convicted of a criminal offense related to the provision of healthcare items or services but has not yet been excluded, debarred, or otherwise declared ineligible to participate in the Federal Health Care Programs; and (iii) is not under investigation or otherwise aware of any circumstances which may result in Physician and/or ACS, as applicable, being excluded from participation in the Federal Health Care Programs. This shall be an ongoing representation and warranty during the term of this Agreement, and Physician shall immediately notify ACS of any change in the status of the representation and warranty set forth in this section.

17. Notice. All notices provided for shall be in writing, addressed to Physician and ACS at their respective addresses set forth on the signature page of this Agreement and shall be given, and be deemed to have been given, if either hand-delivered or mailed, postage prepaid, certified mail (return receipt requested), or deposited with a nationally recognized overnight mail delivery service such as Federal Express that provides evidence of delivery. However, if actual written notice is received by Physician, regardless of the means of transmittal, such notice shall be deemed to be acceptable and effective as proper notice under this section. Either party may change the address for notice by notifying the other party in writing of the new address.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year above written.

ACS: ACS PRIMARY CARE PHYSICIANS SOUTHWEST P.A.

By: _____
P.O. Box 788
Pleasanton, CA 94566

Date: _____

Physician: _____
Crystal C. Cassidy, M.D.
526 Trails End
Houston, TX 77024

Date: _____

FOR IMMEDIATE RELEASE

Memorial Hermann Contact:
Ann Brimberry
713.448.6923

TeamHealth Contact:
Tracy Young
800.818.1498

TeamHealth to Provide ED Services to Memorial Hermann Hospitals
Letter of Understanding Signed With 16-Hospital System

KNOXVILLE, Tenn. – (May 10, 2007) –TeamHealth and Memorial Hermann Healthcare System in Houston, Texas, have signed a Letter of Understanding for TeamHealth to provide emergency department staffing and management services to the system’s eight suburban hospitals.

Effective June 15, 2007, TeamHealth will be the sole staffing and management services provider for the emergency centers at Memorial Hermann Southwest, Memorial City, Southeast, Northwest, The Woodlands, Northeast, Sugar Land and Katy hospitals. As the primary teaching hospital for the University of Texas Medical School at Houston, Memorial Hermann-Texas Medical Center is not affected. The suburban Memorial Hermann hospitals have annualized collective emergency department patient visits exceeding 265,000.

“The people in the suburban communities served by these hospitals expect the best possible care and a positive experience in our emergency centers,” said Memorial Hermann chief patient care officer Sarah Sinclair, R.N. “After an in-depth evaluation of

--more--

TeamHealth/Memorial Hermann – Page Two

several providers, we selected TeamHealth because of their national reputation for success in the areas of patient safety, clinical quality, and operational performance improvement.

“We wanted a partner that is large enough to deliver the kind of comprehensive solutions we need, yet flexible enough to customize and tailor their services to meet the needs of the individual hospitals as well as the population each serves.”

“We believe we are the ideal partner for Memorial Hermann, as our solutions are perfectly aligned to help this progressive, award-winning health system achieve its core strategies of quality care, operational excellence, customer experience, and responsible growth,” said Lynn Massingale, M.D., FACEP, chief executive officer of TeamHealth.

“We are excited to join Memorial Hermann in its unwavering commitment to advance the quality of healthcare to the Houston community.”

###

About the Memorial Hermann System

An integrated health system, Memorial Hermann is known for world-class clinical expertise, patient-centered care, leading edge technology, and innovation. The system, with its exceptional medical staff and 19,000 employees, serves southeast Texas and the greater Houston community. Memorial Hermann’s 16 hospitals include three hospitals in the Texas Medical Center, two long-term care facilities, three heart institute locations and eight suburban hospitals. The system also operates cancer, imaging, sports medicine and rehabilitation, and surgery centers, outpatient laboratory services, a chemical dependency treatment center, a home health agency, a wellness center, retirement community and a nursing home. Memorial Hermann is the official healthcare provider for the Houston Rockets, Comets and Aeros, Rice University and the University of Houston. To learn more, visit www.memorialhermann.org or call 713-222-CARE.

About TeamHealth

Founded in 1979, TeamHealth is headquartered in Knoxville, Tennessee. TeamHealth is affiliated with over 5,800 healthcare professionals who provide emergency medicine, hospital medicine, radiology, teleradiology, urgent care and pediatric staffing and management services to over 600 civilian and military hospitals, clinics and physician groups in 45 states. For more information about TeamHealth, visit www.teamhealth.com or call 800.818.1498.

The logo for TEAMHealth, with 'TEAM' in a bold, sans-serif font and 'Health' in a regular, sans-serif font, both in white against a black background.

IN THE NEWS

Memorial Hermann calls on TeamHealth for emergencies
Houston Business Journal - May 18, 2007
by Ford Gunter
Houston Business Journal

The emergency departments of all eight community hospitals in the Memorial Hermann Health Care System will undergo major staffing changes this summer, although patients may not notice the shift.

Currently outsourced to three different providers, Memorial Hermann will turn over the emergency department staffing in its suburban hospitals to TeamHealth, based in Knoxville, Tenn., on June 15.

"We want to get to where any patient who enters any of our hospitals can expect the same service," says Sarah Sinclair, Memorial Hermann's chief patient care officer. "It's far more aligned if you're working with one group that's sharing your vision."

The hospitals that will be staffed by TeamHealth include Memorial Hermann Southwest, Memorial City, Southeast, Northwest, The Woodlands, Northeast, Sugar Land and Katy. Staffing at the system's Texas Medical Center location, a University of Texas teaching hospital, will not change.

Although the contract will go to a new company, there may not be much in the way of change when it comes to the individuals delivering health care. Often physicians will be released from one provider to join on with the next, meaning they don't have to change jobs.

"That's the preference -- to work with existing physicians who already know our hospital," Sinclair says. "It's a quality customer experience decision, too."

While Sinclair acknowledges that there is always some dissatisfaction when working with an outside organization, she says the move was more about continuity.

All three current providers, including Michigan-based Emergency Consultants Inc., which staffs five of the eight hospitals, were invited to send in a request for proposal. In the end, Memorial Hermann went with TeamHealth, one of two other companies invited to present.

"We needed an organization with a big enough infrastructure to serve a company of our size," Sinclair says.

Memorial Hermann gets an estimated 300,000 ER visits a year. The contract's length is expected to be between three and five years.