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INTRODUCTION

Eighteen of the twenty-seven hospitals in Wyoming are governmental entities.1 With a majority of the hospitals relying on funding from taxpayers, courts in Wyoming are tasked with balancing the expenditure of public funds and making parties injured by negligent care whole. Campbell County Memorial Hospital v. Pfeifle forced the Wyoming Supreme Court to decide the scope of a governmental hospital’s liability in a case of negligent care by an independent contractor found to be an apparent agent.2

The injured patient was a pregnant woman who sought the obstetrician services of Campbell County Memorial Hospital (CCMH), a district hospital in Wyoming.3 In preparation for a cesarean section, the patient was improperly
administered spinal anesthesia three times by a registered nurse anesthetist employed by Northern Plains Anesthesia Associates (Northern Plains). The patient claimed CCMH was vicariously liable for the actions of the employee of Northern Plains under the theory of apparent agency, due to the patient’s justifiable reliance on the nurse’s care and skill and her reasonable belief that the nurse was an employee of CCMH.

Because CCMH is a governmental hospital, the patient brought suit pursuant to the Wyoming Governmental Claims Act (WGCA). The patient claimed that apparent agents fit the definition of “public employees” as defined by the WGCA; therefore, the acts of apparent agents waived the defense of sovereign immunity. The Wyoming Supreme Court rejected this interpretation of the WGCA and held that sovereign immunity had not been waived because the nurse was an independent contractor.

This case note starts with a discussion of traditional agency analysis and the establishment of apparent agency in Wyoming, followed by an overview of the WGCA. Next, the case note outlines the pertinent facts and how the court applied the law in Pfeifle. This case note argues the court in Pfeifle incorrectly held that the actions of apparent agents do not waive sovereign immunity. The note also argues that the court properly interpreted the provisions of the WGCA concerning independent contractors. It then argues the court should have held that apparent agents fit the plain meaning of “public employee” in the WGCA, which would qualify their actions as a waiver of sovereign immunity. The case note concludes with a discussion of the policy implications of Pfeifle.

BACKGROUND

This section starts with a brief description of the unique nature of healthcare in a predominately rural state such as Wyoming. It then provides Wyoming’s approach to agency and the exception to the traditional employee/independent

4 Id.
5 Id. at 576; Sharsmith v. Hill, 764 P.2d 667 (Wyo. 1988).
7 Pfeifle, 317 P.3d at 576.
8 Id. at 580.
9 See infra notes 18–63 and accompanying text.
10 See infra notes 64–105 and accompanying text.
11 See infra notes 106–08 and accompanying text.
12 See infra notes 109–17 and accompanying text.
13 See infra notes 118–39 and accompanying text.
14 See infra notes 140–48 and accompanying text.
15 See infra notes 18–24 and accompanying text.
contractor dichotomy expressed in the theory of apparent agency. It ends with an introduction to the sections of the WGCA relied on in *Pfeifle*.

**An Overview of the Healthcare Network in Wyoming**

The Wyoming Department of Health, a statutorily created agency, plays a significant role in Wyoming by compiling reports, allocating funding, and organizing health initiatives at both governmental and private institutions in the State. The department is comprised of a number of divisions and programs including the Office of Rural Health. Some of the functions of the Office of Rural Health include reporting on Health Professional Shortage Areas, which every county in Wyoming is considered, and the management of the federal Medicare Rural Hospital Flexibility Program (MRHFP).

The goal of the MRHFP is “to ensure access to essential health care services for rural residents by promoting rural health planning, network development, regionalization of rural health services and improving access to hospital and other health care services.” The MRHFP achieves these goals by allowing the state to designate certain hospitals as Critical Access Hospitals (CAHs). The benefits of the program for CAHs include exception from the Prospective Payment System, Medicare reimbursement for 101 percent of their reasonable costs, eligibility for CAH specific grants, and flexibility with staffing and hospital programs. These benefits ensure financial stability for rural hospitals that provide emergency and limited inpatient healthcare to Medicaid eligible citizens. As a practical consequence of protecting access to healthcare in rural areas, CAH’s also provides a stable market place for independent contractors who provide essential services to CAHs and operate under the same financial strains inherent in rural care.

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16 See infra notes 25–49 and accompanying text.

17 See infra notes 50–63 and accompanying text.


22 42 U.S.C. § 1395i-4(c) (2012).

23 Rural Health Annual Report, supra note 20.

Independent Contractors vs. Employees under Wyoming Case Law

A common trait of most hospitals in Wyoming is employment of independent contractors. In Wyoming, an employer’s right to control the details of an individual’s work distinguishes independent contractors and employees.25 The right of control is a question of fact for the jury, with an exception for cases where only one reasonable inference can be drawn.26 This right of control inquiry creates a dichotomy, as employees and independent contractors are “opposite sides of the same coin; one cannot be both at the same time with respect to the same activity; the one necessarily negatives the other, each depending on opposite answers to the same right of control inquiry.”27 A set of factors helps the jury determine the right of control when weighing the facts of the case.

The factors for a right of control analysis are: “the method of payment, the right to terminate the relationship without incurring liability, the furnishing of tools and equipment, the scope of the work, and the control of the premises where the work is to be done.”28 Further, express contracts are important indicators of an individual’s status, but are not dispositive proof that she is an independent contractor.29

In theory, consideration of these factors should unequivocally delineate which side of the employee/independent contractor dichotomy an individual falls on. However, in cases where the proper result is not reached by applying the strict dichotomy, the law in Wyoming recognizes the need for exceptions, such as apparent agency and non-delegable duties.30 In the context of independent contractors working on the premises of a hospital, the apparent agency exception has been well developed.31

26 Id.
29 Id. at 1041.
30 See Sharsmith v. Hill, 764 P.2d 667 (Wyo. 1988) (adopting apparent agency for the actions of pathologist independent contractor). See also Jones v. Chevron U.S.A. Inc., 718 P.2d 890, 896 (Wyo. 1986) (". . . if the employer retains the right to direct the manner of the independent contractor’s performance, or assumes affirmative duties with respect to safety, the employer has retained sufficient control to be held liable if he exercises that control negligently.") (citation omitted)).
31 See generally Steven E. Pegalis, 1 AM. LAW MED. MALPRACTICE, § 6:21 (2014) (discussing cases in Washington, Michigan, California, and New York that discussed apparent agency in the hospital liability context).
Apparent Agency

Courts have frequently cited the Restatement (Second) of Agency and the Restatement (Second) of Torts to establish the rule of apparent agency. The Restatement (Second) of Agency defines apparent agency as:

“One who represents that another is his servant or other agent and thereby causes a third person justifiably to rely upon the care or skill of such apparent agent is subject to liability to the third person for harm caused by the lack of care or skill of the one appearing to be a servant or other agent as if he were such.”

To trigger vicarious liability under this rule a principal must represent in some way that an independent contractors is an agent. The injured party must also justifiably rely on the apparent agent's care or skill to some degree.

The Restatement (Second) of Torts version of the rule does not have the same reliance element. Under the Restatement (Second) of Torts, the injured party must accept the services of an independent contractor with the reasonable belief that the contractor is an employee of the principal. These two theories can intersect, because a person’s reasonable belief can be the basis of her reliance and the belief is often induced by the representations of the principal. Because the rules are intertwined, the choice of law in apparent agency tort claims is likely to lead to the same result.

The theory of apparent agency was first recognized as a theory of vicarious liability for medical malpractice in Wyoming in Sharsmith v. Hill. In Sharsmith, a patient sued multiple practitioners and St. John’s Hospital, a district hospital in Jackson, for the improper diagnosis of a mass on her knee. Along with the

33 Restatement (Second) of Agency § 267 (1958).
34 Dobbs, supra note 32, § 433.
35 Id. To what degree the third party must rely has caused a split in the courts, but in the hospital context courts have found reliance in a “loose or attenuated sense” sufficient because it is not likely that a patient receiving unforeseen medical care would change his mind upon learning of the apparent agent’s actual status. Id.
36 Id.
37 Id.
38 Id.
39 Id.
41 Id. at 668–69.
direct claim against St. John’s Hospital, the patient asserted a claim of vicarious liability for the actions of two pathologists practicing at the hospital. The district court granted St. John’s motion for summary judgment on the vicarious liability claim, although the order did not contain a statement of the evidence or the court’s reasoning.

On appeal the patient in *Sharsmith* argued the circumstances surrounding her injury warranted an exception to the traditional agency dichotomy. She urged the court to adopt the apparent agency rule, “which imposes vicarious liability against hospitals for the negligence of those practitioners who are the ostensible or apparent agents of the hospital, regardless of whether they are employees or independent contractors.” Finding the rationale behind the theory persuasive, the court adopted the rule of apparent agency and held that in cases of treatment by an independent contractor:

“Where a hospital holds itself out to the public as providing a given service…and where the patient engages the services of the hospital without regard to the identity of a particular physician and where as a matter of fact the patient is relying upon the hospital to deliver the desired health care and treatment, the doctrine of respondeat superior applies and the hospital is vicariously liable for damages proximately resulting from the neglect, if any, of such physicians.”

The court also cited both the Restatement (Second) of Torts and Agency for their respective definitions of apparent agency. Because of the interrelated nature of the all the theories relied on in *Sharsmith*, later courts have applied the apparent agency rule using both the elements of reliance on the part of the

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42 Id.
43 Id. at 669.
44 Id. at 671–72.
45 Id. at 672 (emphasis added) (citations omitted).
46 Id. (quoting Hardy v. Brantley, 471 So.2d 358, 371 (Miss. 1985)). The Wyoming Supreme Court defined respondeat superior when it held, “[a] master is liable for damages caused by the negligence of his servant within the scope of the latter’s employment.” Blessing v. Pittman, 251 P.2d 243, 246 (Wyo. 1952).
injured party and his “reasonable belief that the services are being rendered by the employer or by his servants.” In its adoption of the apparent agency, the court did not discuss whether the actions of apparent agents waive sovereign immunity, for which St. John’s qualified.

Waiver of Immunity for Governmental Healthcare Providers under the WGCA

Sovereign immunity for governmental entities prevails in Wyoming. However, an exception arises when negligent public employees act within the scope of their employment. The need for exceptions to the rule of immunity stems from the legislature’s recognition that strict application of the rule leads to “inherently unfair and inequitable results.” In allowing liability, the legislature also recognized its role as the “[trustee] of public revenues.” Therefore, by enacting the WGCA, the legislature intended “to balance the respective equities between persons injured by governmental actions and the taxpayers of the state of Wyoming whose revenues are utilized by governmental entities on behalf of those taxpayers.” Public hospitals, because of their prevalence in the state and the potential for negligence claims, are a consistent point of friction between these two considerations.

The WGCA provides a section specifically for hospitals that qualify as governmental entities. That section states: “A governmental entity is liable

48 Sharsmith, 764 P.2d at 672 (citing Restatement (Second) of Torts § 429 (1965)).
49 Campbell Cnty. Mem’l Hosp. v. Pfeifle, 317 P.3d 573, 580 (Wyo. 2014). The court in Pfeifle speculated that because there is no mention of sovereign immunity in the pleadings in Sharsmith, “[it appeared] that St. John’s Hospital may have waived sovereign immunity by not raising the affirmative defense.” Id. at 580 n.3.
51 Id.
52 Id. § 1-39-102(a). The section reads in part:
  The Wyoming legislature recognizes the inherently unfair and inequitable results which occur in the strict application of the doctrine of governmental immunity. . . . It is further recognized that the state and its political subdivisions as trustees of public revenues are constituted to serve the inhabitants of the state of Wyoming and furnish certain services not available through private parties and, in the case of the state, state revenues may only be expended upon legislative appropriation. This act is adopted by the legislature to balance the respective equities between persons injured by governmental actions and the taxpayers of the state of Wyoming whose revenues are utilized by governmental entities on behalf of those taxpayers. . . .
  Id. (emphasis added).
53 Id.
54 Id.
55 See supra note 1 and accompanying text.
for damages resulting from bodily injury, wrongful death or property damage caused by the negligence of public employees while acting within the scope of their duties in the operation of any public hospital or in providing public outpatient health care.”57 Another section of the WGCA pertains specifically to health care providers and imposes liability on “health care providers who are employees of the governmental entity.”58 The providers under this section include contract physicians who are employed at state institutions and county jails.59

A commonly litigated phrase in the application of the WGCA is “public employees.”60 Public employees are defined as “any officer, employee or servant of a governmental entity, including elected or appointed officials, peace officers and persons acting on behalf or in service of a governmental entity in any official capacity, whether with or without compensation.”61 However, physician independent contractors are specifically excluded from this definition, unless they are engaged in providing “contract services for state institutions or county jails.”62 This definition relies on the traditional employee/independent contractor dichotomy of agency law, but it is not clear where apparent agents fit. The negligent acts of nurse anesthetist Amanda Phillips (Nurse Phillips), while acting as an apparent agent of Campbell County Memorial Hospital, provided the Wyoming Supreme Court with an opportunity to clarify how apparent agents fit the definitions used in the WGCA.63

Principal Case

Background

On September 24, 2008, Jaime Pfeifle was admitted to CCMH for labor inducement.64 Upon admission, the attending obstetrician informed Pfeifle that a cesarean section would be required to deliver her child.65 In preparation for surgery, Nurse Phillips, an employee of Northern Plains Anesthesia Associates, prepared and attempted to administer spinal anesthesia three times.66 As a result

57 Id. (emphasis added).
58 Id. § 1-39-110(a).
59 Id.
62 Id. § 1-39-103(a)(iv)(C).
64 Id. at 575.
65 Id.
66 Id.
of improper administration of the anesthesia, Mrs. Pfeifle suffered permanent
disability.\textsuperscript{67} In order to bring a cause of action for her injuries based on apparent
agency, Mrs. Pfeifle noted her justifiable reliance on the skill and care of Nurse
Phillips and her reasonable belief that Nurse Phillips was an agent of CCMH.\textsuperscript{68}

A number of circumstances formed Mrs. Pfeifle’s reasonable belief that
Nurse Phillips was an agent of CCMH. For example, prior to the administration
of spinal anesthesia, Mrs. Pfeifle was not informed of who would perform the
complex anesthesia procedure.\textsuperscript{69} Consequently, Mrs. Pfeifle was not involved in
the decision to have Nurse Phillips administer the anesthesia without the oversight
of an attending doctor or other support staff.\textsuperscript{70} Nurse Phillips also did not to
inform Mrs. Pfeifle of her status as an independent contractor, in contradiction
of CCMH’s general procedure policy.\textsuperscript{71} The only information presented to Mrs.
Pfeifle was a consent form with only CCMH’s name and address on it.\textsuperscript{72} The
space provided to identify the anesthesia provider was left blank.\textsuperscript{73}

Beyond the failure to expressly inform Mrs. Pfeifle of Nurse Phillip’s
employment status, there were other factors that led Mrs. Pfeifle to believe
the anesthesia services were provided by CCMH. The failed procedures were
undertaken on the campus of CCMH, which held itself out as a provider of
obstetrician services.\textsuperscript{74} The necessary equipment and supplies were provided
by CCMH.\textsuperscript{75} CCMH also provided support staff for the anesthesiologists and
assigned the required work per the medical director’s call schedule.\textsuperscript{76} Mrs. Pfeifle’s
apparent agency claim relied on the totality of these circumstances to support her
case against CCMH for the negligent acts of Nurse Phillips.\textsuperscript{77}

In the district court, CCMH moved for summary judgment of the claims
based on vicarious liability for Nurse Phillips.\textsuperscript{78} The Supreme Court of Wyoming
had not addressed the issue of whether the apparent agency rule, as announced in

\begin{footnotes}
\footnotetext[67]{Id.}
\footnotetext[68]{Sharsmith v. Hill, 764 P.2d 667, 672 (Wyo. 1988).}
(No. S-13-0040), 2013 WL 4104012 at *2.}
\footnotetext[70]{Id. at 4, 2013 WL 4104012 at *3.}
\footnotetext[71]{Id.}
\footnotetext[72]{Id.}
\footnotetext[73]{Id. at 4–5, 2013 WL 4104012 at *3.}
\footnotetext[74]{Id. at 3–4, 2013 WL 4104012 at *2–3.}
\footnotetext[75]{Id.}
\footnotetext[76]{Id.}
\footnotetext[77]{Id. at 23–24, 2013 WL 4104012 at *22–23.}
\footnotetext[78]{Pfeifle v. Campbell Cnty. Mem’l Hosp., 2012 WL 8429590 at 1 (No. 31854), rev’d, 317
P.3d 573 (2014).}
\end{footnotes}
Sharsmith, applied to governmental hospitals on a previous appeal. Because the question was central to CCMH’s motion for summary judgment, it was directed to the district court.

The district court held that the apparent agency rule did apply because the hospital in Sharsmith was also a governmental entity, and the patient’s expectations, which serve as the basis for the rule, are the same regardless of whether the hospital is a governmental entity or not. The district court then broke down Sharsmith’s holding into four factors:

1. The hospital holds itself out to the public as providing a given service.
2. The hospital enters into a contractual agreement with one or more physicians to direct and provide the service.
3. The patient engages the services of the hospital without regard to the identity of a particular physician.
4. The patient is relying upon the hospital to deliver the desired health care and treatment.

The court held that the factors were satisfied because Mrs. Pfeifle sought CCMH’s services based solely on her need for the safe delivery of her child. She did not anticipate having to undergo anesthesia, but she deferred to the judgment of the obstetrician and consented to the pre-operative procedure under the reasonable belief that it would be provided by the entity that represented itself as a provider of such services. Under these circumstances the court held Nurse Phillips was an apparent agent of CCMH, and therefore, vicariously liable for her actions.

The Majority Decision

The Wyoming Supreme Court took a more critical look at the WGCA and ultimately held that governmental hospitals are not vicariously liable for the actions of apparent agents. The court’s analysis starts with a brief history of the

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79 Id.
80 Id.
81 Id.
82 Id. (citations omitted).
83 Id.
84 Id.
85 Id. at 1–2.
time-honored doctrine of sovereign immunity. A pervasive theme of this initial analysis is a high degree of judicial deference because “the right to seek redress for [wrongs committed by the state] is determined by the policy and will of the legislative body.” The court also cited the purpose of the WGCA as expressed by the legislature itself, which the court would later rely to reach its conclusion. The final step the court took to solidify this idea of judicial deference was to emphasize the court’s consistent holding that the WGCA is a “close ended” tort claims act.

After introducing the concepts of sovereign immunity and judicial deference, the court turned its focus to Sections 109 and 110 of the WGCA, which deal with healthcare supplied at governmental hospitals. In construing the respective statutes the court relied on the plain meaning of the words used and attempted to construe the sections of the Act as a whole. The court held the section of the Act that defined of public of employee as “any officer, employee or servant of a governmental entity… acting on behalf or in the service of a governmental entity,” applies to both sections of the WGCA that reference healthcare workers. The court then held the following subsections expressly exclude independent contractors from the definition. Following these holdings, the court then applied its interpretation to the facts of the case.

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87 See Id. at 578.
88 Id.
89 Id.; see supra note 52.
91 Pfeifle, 317 P.3d at 579.
92 Id.; see also Stroth v. N. Lincoln Cnty. Hosp. Dist., 327 P.3d 121, 125 (Wyo. 2014) (holding “when we interpret statutes, our goal is to give effect to the intent of the legislature, and we ‘attempt to determine the legislature’s intent based primarily on the plain and ordinary meaning of the words used in the statute.’”) (citation omitted).
93 Pfeifle, 317 P.3d at 579 (citing WYO. STAT. ANN. § 1-39-103(a)(iv)(A) (2014)).
94 Pfeifle, 317 P.3d at 579. The subsections state the term "public employee":

(B) Does not include an independent contractor, except as provided in subparagraphs (C) and (F) of this paragraph, or a judicial officer exercising the authority vested in him;

(C) Includes contract physicians, physician assistants, nurses, optometrists and dentists in the course of providing contract services for state institutions or county jails;

95 Pfeifle, 317 P.3d at 580.
Based on the district court’s assumption that Nurse Phillips was an employee of Northern Plains, the Wyoming Supreme Court held she was an independent contractor.\(^{96}\) Therefore, because neither of the two exceptions for independent contractor liability applied, i.e. independent contractors who provide services to state institutions or county jails, Nurse Phillips’s actions did not qualify as a waiver of immunity under the WGCA.\(^{97}\) The court then made a point to address the district court’s conclusion that the holding in \textit{Sharsmith} applies to all hospitals.\(^{98}\)

The district court relied on the fact that the hospital in \textit{Sharsmith} was a governmental hospital to conclude the apparent agency rule applies to all hospitals equally.\(^{99}\) The Wyoming Supreme Court noted the district court’s assumption attempted to create an implicit waiver of sovereign immunity based on \textit{Sharsmith}’s silence on the issue.\(^{100}\) Because \textit{Sharsmith} did not discuss whether the legislature intended the actions of apparent agents to act as a waiver of immunity, the court held a waiver had not been established.\(^{101}\) Instead, the court deferred to the legislature by holding that if the legislature had intended the actions of apparent agents to constitute a waiver it could have expressly done so.\(^{102}\) The court also reasoned that redress for the victim, the inherent goal of both the WGCA and the apparent agency rule, was available to Mrs. Pfeifle because she could bring suit against Northern Plains as a private entity for the actions of Nurse Phillips.\(^{103}\) Because of these conclusions, the court declined to expand liability under the WGCA to the facts of the case.\(^{104}\) The case was reversed and the remaining claims were remanded.\(^{105}\)

\textbf{Analysis}

The Wyoming Supreme Court erred in its interpretation of the WGCA when it held that the actions of apparent agents do not constitute a waiver of sovereign immunity. First, the court should have found apparent agents fit the plain meaning of “public employees” under the WGCA by relying on the reasonable belief of Mrs. Pfeifle that Nurse Phillips was an employee of the hospital.\(^{106}\) Second, by holding actions of apparent agents constitute a waiver of

\(^{96}\) \textit{Id.}
\(^{97}\) \textit{Id.}
\(^{98}\) \textit{Id.}
\(^{99}\) \textit{Id.}
\(^{100}\) \textit{Id.}
\(^{101}\) \textit{Id.}
\(^{102}\) \textit{Id.}
\(^{103}\) \textit{Id.} at 580 n.2.
\(^{104}\) \textit{Id.} at 580.
\(^{105}\) \textit{Id.}
\(^{106}\) See infra notes 118–38 and accompanying text.
immunity, the court could have upheld the policy behind the apparent agency rule of making an injured party who seeks the services of a hospital whole. 107 Third, this holding would treat equally all hospitals that make up the network of essential healthcare services in rural areas, as opposed to leaving non-profit and private hospitals responsible for upholding the policy behind the apparent agency rule. 108

Statutory Interpretation of WGCA Concerning Independent Contractors

The court in Pfeifle properly held that the actions of independent contractors generally do not waive immunity, however its analysis overlooked key phrases in the statute that apply to apparent agents. The court had a well-established line of precedent to rely upon when interpreting the WGCA. 109 Since its adoption in 1979, every court has held the WGCA is a close-ended tort claims act. 110 As a close-ended act, the WGCA “generally grants immunity to governmental entities and public employees, waiving that immunity only through specific statutory exceptions.” 111 To delineate these exceptions the starting point of interpretation of the WGCA is an examination of the ordinary meaning of the words used in the context of the statute as a whole. 112

The statutory provisions key to the court’s holding were the subsections under the definition of “public employee.” 113 The subsections lend themselves to a plain reading:

(iv) “Public employee”:

(A) Means any officer, employee or servant of a governmental entity, including elected or appointed officials, peace officers and persons acting on behalf or in service of a governmental entity in any official capacity, whether with or without compensation;

(B) Does not include an independent contractor, except as provided in subparagraphs (C) and (F) of this paragraph, or a judicial officer exercising the authority vested in him;

107 See infra notes 139–48 and accompanying text.
108 See infra notes 139–48 and accompanying text.
109 See supra note 90 and accompanying text.
(C) Includes contract physicians, physician assistants, nurses, optometrists and dentists in the course of providing contract services for state institutions or county jails;¹¹⁴

The subsections clearly distinguish between employees and independent contractors, with independent contractors expressly excluded from the definition.¹¹⁵

The court in Pfeifle correctly noted that the district court accepted the factual conclusion that Nurse Phillips was not an actual employee of CCMH.¹¹⁶ From this premise the court was able to hold that, as an independent contractor, Nurse Phillips’s actions were specifically excluded as a waiver of immunity under the plain meaning of the statute.¹¹⁷ However, applying the strict dichotomy of employee or independent contractor undermines the purpose of the apparent agency rule announced in Sharsmith. Applying the employee/independent contractor dichotomy ignores the possibility that independent contractors who meet the rule under Sharsmith fit the definition of “persons acting on behalf or in service of a governmental entity in any official capacity.”¹¹⁸ An examination of the claim at issue in Pfeifle will show how the actions of apparent agent fit the statutory definition of public employee in the WGCA.

How the Apparent Agent’s Actions in Pfeifle Fit the WGCA

Mrs. Pfeifle had a strong case for claiming CCHM was vicariously liable for Nurse Phillips under the theory of apparent agency. The circumstances surrounding Mrs. Pfeifle’s admittance to CCMH shows her belief that Nurse Phillips was an employee of CCMH was reasonable.¹¹⁹ Mrs. Pfeifle sought the services of CCMH expecting labor to be induced, but ultimately consented to a cesarean section.¹²⁰ She was unable to discuss the details concerning the anesthesia services provided at the hospital, which would have been clarified if Nurse Phillips

¹¹⁴ Id. (emphasis added). The definition of public employees also includes contract attorneys providing services for the Office of the State Public Defender. Id. § 1-39-103(a)(iv)(F).


¹¹⁶ Pfeifle, 317 P.3d at 577.

¹¹⁷ Id. at 580.


¹¹⁹ See supra notes 64–77 and accompanying text.

informed Mrs. Pfeifle that she was not affiliated with CCMH.\textsuperscript{121} Because Mrs. Pfeifle had no indication that she was not still under the care of the hospital staff, she could only assume the procedure would be provided by the hospital whose services she initially sought.\textsuperscript{122}

For Mrs. Pfeifle’s apparent agency claim against CCMH to survive, the operative question was whether Mrs. Pfeifle’s reasonable belief that Nurse Phillips was an agent of CCMH was enough to satisfy the definition of public employee under the WGCA. As far as Mrs. Pfeifle was concerned, Nurse Phillips was a “person acting on behalf or in service of a governmental entity in [an] official capacity,” the WGCA’s definition of public employee.\textsuperscript{123} This fact underscores an important part of the district court’s reasoning the Supreme Court of Wyoming failed to consider. Namely, the district court recognized the patient’s reasonable belief and expectation of services are the same regardless of whether the hospital is a governmental entity or not, therefore her right to bring suit should remain intact.\textsuperscript{124} The Supreme Court of Wyoming addressed a patient’s right to be made whole by noting Mrs. Pfeifle retained the right to bring suit against the private entity that employed Nurse Phillips.\textsuperscript{125} Because Mrs. Pfeifle was not denied redress for her injuries, the inequities that prompted the WGCA were not implicated.\textsuperscript{126} However, the court’s holding diminished the policy behind the apparent agency rule aimed at making a person whole.\textsuperscript{127} The court could have avoided the result of its holding by incorporating a considered analysis of the apparent agency rule in its interpretation of the WGCA.

Because the court in \textit{Pfeifle} did not rely on the belief and expectation of service of Mrs. Pfeifle in classifying Nurse Phillips, it was restricted in its interpretation of the WGCA by the “two-sides of the same coin” dichotomy.\textsuperscript{128} The issue with the court’s reliance on this reasoning is that apparent agency, an exception to the traditional right of control analysis, renders the strict differentiation between employees and independent contractors a false dichotomy.\textsuperscript{129} Although Wyoming precedent suggests an individual “cannot be both [an independent contractor

\begin{footnotesize}
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\item[\textsuperscript{122}] See supra notes 64–77 and accompanying text.
\item[\textsuperscript{126}] \textit{Id.}
\item[\textsuperscript{127}] See infra notes 140–43 and accompanying text.
\item[\textsuperscript{128}] Coates v. Anderson, 84 P.3d 953, 957 (Wyo. 2004) (citations omitted).
\item[\textsuperscript{129}] See \textsc{6 Am. Jur. 3d} \textit{Proof of Facts} 457 § 1 (1989).
\end{itemize}
\end{footnotesize}
and employee] at the same time with respect to the same activity,” the apparent agency rule’s practical outcome in terms of vicarious liability is the opposite. 130

A plaintiff can use the theory of apparent agency to effectively circumvent the right of control inquiry and create an agency relationship that would otherwise not exist under the traditional dichotomy. 131 The holding in Pfeifle protects governmental hospitals from claims that bypass the independent contractor defense. In contrast, private and nonprofit hospitals are still exposed to the liability that results from the contradiction of traditional agency law presented by apparent agency. 132

The contradiction created by apparent agency is not directly addressed in any Wyoming precedent. The theoretical underpinnings of the apparent agency rule clarify what sort of agency relationship is created by the rule. 133 Again, the apparent agency rule creates an agency relationship that would otherwise not exist. 134 One way to define this relationship is to find the independent contractor is an agent of the apparent principal, which would make the apparent principal liable under the general rule of agency liability. 135 What creates this relationship is a third party’s perception of the agent in question. 136

As applied to Pfeifle, the question, again, is whether or not apparent agency modifies the status of an individual enough to fit the statutory definition of “public employee.” The court in Pfeifle could have found a waiver of immunity for apparent agents if, instead of adhering to the independent contractor/employee dichotomy, it recognized the apparent agency rule modified the status of Nurse Phillips. 137 If the court had focused on the language in the statute that says a public employee is, “any person acting on behalf or in service of a governmental entity in [an] official capacity,” it could have relied on Mrs. Pfeifle’s reasonable belief that Nurse Phillips was an agent acting on behalf of the governmental entity,

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130 Coates, 84 P.3d at 957; supra notes 45–48 and accompanying text.
133 See Restatement (Second) of Agency § 267 (1958); Restatement (Second) of Torts § 429 (1965); 6 Am. Jur. 3d Proof of Facts § 1 (1989).
135 Id. See also Gamble v. United States, 648 F. Supp. 438, 441 (N.D. Ohio 1986) (noting that the Federal Government waived its sovereign immunity and was equitably estopped from claiming anesthesiologist was not an employee because VA hospital had created appearance of agency).
137 See supra notes 128, 134–36 and accompanying text.
the apparent principal, and extended the waiver of immunity to her as an apparent agent.138

Instead, the court in Pfeifle effectively rendered the holding in Sharsmith hollow, as applied to hospitals, without overruling it.139 The result is the selective application of the strict dichotomy of independent contractor and employee in vicarious liability situations concerning hospitals. Because only governmental hospitals receive the benefit of this strict dichotomy, nonprofit and private hospitals are unjustly left to uphold the policy behind the apparent agency rule. This unjust result implicates various policy concerns regarding the non-governmental hospitals that are an essential part of Wyoming’s rural healthcare network.

Policy in Pfeifle

The court in Pfeifle seemingly attempted to uphold the policy in favor of protecting hospitals that provide essential care in Wyoming. However in doing so, it hindered the policy goal of making a patient whole and overlooked the unjust result on non-profit and private hospitals. The closest the court comes to justifying the result is its emphasis on the fact that governmental hospitals require the expenditure of public funds.140 Considering, in the last decade, there were 62.31 million dollars in medical malpractice payments in Wyoming, the court’s policy of protecting public funds is not unfounded.141

Despite the court’s valid policy argument for protecting public funds, there is a stronger policy argument, which is embodied by both the WGCA and apparent agency, for making an injured party whole when they seek the services of a hospital.142 The growing policy preference for making the injured party whole

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140 See supra notes 102–04 and accompanying text.
is shown in instances such as hospital insurance plans including, like CCMH’s did, language that extends coverage to independent contractors. Because of the ruling in Pfeifle, non-governmental hospitals, many of which are the sole providers of essential services in rural communities, are now unequally responsible for upholding this policy preference.

A final policy argument, not addressed in Sharsmith or Pfeifle, is that the apparent agency rule is harmful to the healthcare system as a whole. This policy argument is based on the idea that apparent agency leads to increased insurance costs and more medical malpractice claims, which will raise the cost of health care. One possible solution, which the Pfeifle court almost embraced by rendering the apparent agency rule hollow, is to abandon apparent agency. However, the court in Pfeifle did not abandon the rule. Since the apparent agency rule is still in force in Wyoming for non-governmental hospitals, the second best solution to rising health care costs is for the court to meaningfully reexamine the structure of the rule, which the Pfeifle court failed to do.

CONCLUSION

The purpose of apparent agency is to bypass the traditional “two sides of the same coin” approach to determining the status of workers in order to make the injured party whole. Reconciling apparent agency with the WGCA serves the purposes of both the rule and the statute. The court in Pfeifle should have held the agency relationship created by a third party’s reasonable belief fit the plain

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144 See Hardy v. Brantley, 471 So.2d 358, 374 (Miss. 1985) (Lee, J., dissenting in part concurring in part). A dissenting opinion in the case relied on by Sharsmith to establish the apparent agency rule noted “[t]he majority’s decision to impose liability on a hospital for the negligent actions of a physician independent contractor is certain to have a negative impact in terms of health care costs and availability.” Id.

145 Perkes, supra note 142.

146 See supra note 139 and accompanying text.


149 See supra notes 129–31 and accompanying text.

150 See supra notes 52, 142 and accompanying text.
meaning of “public employees” in the WGCA.\textsuperscript{151} This holding would have waived sovereign immunity for governmental hospitals for the actions of apparent agents and allowed injured parties to recover for negligent treatment at any one of the eighteen governmental hospitals in the state.\textsuperscript{152} In failing to hold that actions of apparent agent as waivers of immunity, the court in \textit{Pfeifle} left the other essential healthcare facilities in the state unequally exposed to this growing form of liability.

\textsuperscript{151} See supra notes 137–38 and accompanying text.

\textsuperscript{152} See supra notes 1, 136–39 and accompanying text.