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CORPORATE LIABILITY OF PRIVATE HOSPITALS FOR MEDICAL NEGLIGENCE: RETHINKING INSTITUTIONAL ACCOUNTABILITY IN MODERN HEALTHCARE

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ABSTRACT

The variable medical and nursing standards of the private hospital in India are a significant issue when looking at criminal negligence in private hospitals. The product liability of private hospitals arises from following a historical overview of the development of hospital liability, including judicial decisions, statutory frameworks, vicarious liability principles, and corporate negligence. Therefore, issues such as Healthcare Governance (Governance), institutional accountability, and Environmental, Social, and Governance (ESG) issues will be included. Therefore, private hospitals should be considered as independent corporations with obligations related to patient safety, health care quality, and appropriate ethical governance.

I. BEYOND THE DOCTOR'S DUTY: CORPORATE LIABILITY OF PRIVATE HOSPITALS FOR MEDICAL NEGLIGENCE

India's transformation since the mid-1980s through the private sector should be emphasised, not just as changing how individuals receive treatment, but should reflect changing structural components of the healthcare infrastructure itself. With rapid urbanisation, advances in technology, and an increasing demographic demand for specialised care, a large number of corporate health systems have developed that provide the greatest amount of diagnostic service, most comprehensive therapeutic care and the most complete emergency service available within a regional health system.[1] Even though these

[1]National Health Accounts, National Health Systems Resource Centre, https://nhsrcindia.org/national-health-accounts-records.

developments have increased access to health services and improved the capability of the medical profession to deliver care, they have also resulted in increased concern about the effects of these changes on patient safety and unionised liability issues of accountability (i.e., medical negligence).

The subject of medical negligence is a highly debated topic in the healthcare sector. The number of patients filing legal claims against medical professionals for injury while receiving care due to medical negligence has increased exponentially due to greater numbers of diagnostic errors, surgical errors, errors in supervision of an appropriate level of care, as well as hospital administration errors, including negligence related to the provision of care[2]. Historically, the liability for medical negligence was deemed to rest primarily with the individual medical practitioner. However, the corporatisation of healthcare has redefined the paradigm of responsibility; moving from the providers of medical services (i.e., individual medical practitioners) to the corporations themselves that own or operate the facilities where the medical services are provided and that provide the system for which the healthcare personnel provide their profession through the provision of building/maintenance, hiring/retaining healthcare personnel, responsible for implementing safety protocols of service provided to patients, and ensuring the delivery of care provided to patients by the healthcare professionals at the corporate entity. Consequently, negligence may arise not only from the actions of individual doctors but also from institutional failures such as inadequate staffing, poor supervision, defective equipment, or ineffective governance mechanisms.[3]

The rise of corporate liability is an important development in the field of medical negligence law. This article will explore the basis for holding private hospitals liable for medical negligence, the evolution of the law of hospital liability in India and the increasing importance of corporate governance and institutional responsibility in the modern healthcare system.

With the trend toward delivering healthcare through large corporate entities, the question of liability no longer rests solely with individual physicians but also extends to the hospital as an entity.

II. FROM MEDICAL ERROR TO INSTITUTIONAL ACCOUNTABILITY: CORPORATE LIABILITY OF PRIVATE HOSPITALS IN INDIA

[2]NITI AAYOG, India, Reports and Publication (June 25, 2026), https://www.niti.gov.in/publications/division-reports.

[3]Indian Healthcare Industry Analysis, IBEF, https://www.ibef.org/industry/healthcare-presentation.

Failure of a healthcare provider or institution to render a reasonable level of care and skill that would usually be expected of a trained professional in a specific medical scenario, which results in harm to the patient, is termed medical negligence.[4] The law requires proof that there has been some deviation from established standards of medical care to create grounds for a claim of medical malpractice. It is not sufficient that something bad occurred or that treatment was provided that was not successful; rather, it needs to be determined if the actions of the provider were less than what would be expected from a trained, competent provider.

To establish that medical negligence has occurred, there are typically four elements that must be established. First, a legal duty must be owed by the provider to the patient. Second, the provider must have breached their duty through some action or inaction that is below the established standard of care. Third, there must be a direct causal connection between the breach of duty and the injury suffered by the patient. Fourth, the plaintiff must have suffered some form of actual injury or damage (physical, psychological, or financial) as a result of the negligent conduct of the provider. Any of these four elements, if proved to be missing, will result in the failure of the cause of action for medical negligence.

Medical negligence has long been perceived as the actions of a lone physician; in light of changes to the delivery of healthcare, however, the corporate structure of healthcare has now increased the liability of hospitals and other institutions in addition to individual practitioners. This has resulted in the development of the concept of "corporate liability," defined as the responsibility of an organisation for harm that results from the actions of its employees or from the policies, processes, systems, or institutional failures of the organisation[5]. Corporate liability differs from individual liability in that corporate liability does not consider the culpability of an employee; rather, does the hospital share responsibility for the harm.

[4]ResearchGate, Medical Negligence Liability under the Consumer Protection Act: A Review of Judicial Perspective, https://www.researchgate.net/publication/38059353_Medical_negligence_liability_under_the_consumer_protection_act_A_review_of_judicial_perspective.

[5]ResearchGate, Medical Negligence Liability under the Consumer Protection Act: A Review of Judicial Perspective, https://www.researchgate.net/publication/38059353_Medical_negligence_liability_under_the_consumer_protection_act_A_review_of_judicial_perspective.

Differentiating between individual liability and institutional liability is especially important in today's delivery of healthcare, as patient care is typically provided in a co-ordinated manner involving doctors, nurses, technicians, administrators, and other support personnel. Therefore, it is imperative to make sure that hospitals and other healthcare providers can maintain appropriate standards of care, apply safety protocols, and provide proper oversight of their health care services.

The recognition of hospitals as independent entities capable of incurring liability has significantly transformed medical negligence jurisprudence.

III. MEDICAL NEGLIGENCE AND CORPORATE RESPONSIBILITY: EXPANDING HOSPITAL LIABILITY IN MODERN HEALTHCARE

In India, there has been dramatic change in the issue of hospital liability over time. Historically, medical negligence claims were pursued against individual physicians because any claim of negligence was seen as stemming from the physician/patient relationship. In that context, hospitals were viewed as merely hospitals and were not subject to liability for negligence, as they were seen as places where patients received care from individual physicians. However, the establishment of a growing number of private and corporate medical facilities prompted courts to expand their thinking about hospital liability by recognising an independent hospital duty to patients.

Indian Medical Association v. V.P. Shantha (1995)[6] is one of the most important cases in the development of medical negligence law. The Supreme Court of India held that the provision of medical services in exchange for payment falls within the definition of "consumers" under the Consumer Protection Act. Thus, patients now have access to the consumer courts for any negligence or deficiency in medical services rendered to them, extending the rights of patients as consumers and providing greater accountability to the health care delivery system. The decision also imposed liability on hospitals and other health care facilities for any deficiencies in the medical services provided to the patient by the facility.

These judicial developments reflect a broader shift in Indian medical jurisprudence from a practitioner-centric approach to an institution-centric framework of accountability. Courts

[6]Indian Medical Association v. V.P. Shantha & Others,
MedicoLegalAid, https://www.medicolegalaid.com/judgements/ima-vs-vp-shantha.

increasingly recognise that hospitals play a critical role in healthcare delivery through their management systems, staffing decisions, infrastructure, and administrative processes. Consequently, liability is no longer confined to individual acts of negligence but may also arise from systemic and organisational failures within the institution itself.

Indian courts have progressively acknowledged that hospitals owe independent duties of care that cannot be avoided merely by attributing negligence to individual employees.

Recently, the Indian judiciary has begun moving from a practitioner-focused framework for accountability for medical malpractice to an institution-focused model of accountability. The Indian judiciary has recognised how important the role of the hospital is as an organisation in the delivery of healthcare services. For example, hospitals provide the administrative processes (e.g., management of medical records), staff decisions (e.g., hiring & firing of qualified staff), and infrastructure (e.g., having the appropriate equipment/medications) that are necessary for providing services to patients. As such, when considering potential liability for medical malpractice, the courts have determined that not only can an employee's individual acts of negligence lead to liability for medical malpractice but the hospital can also be found to be liable for institutional/systemic or organisational failures in the delivery of services.

The Indian judiciary has also recognised that hospitals have an independent duty of care to provide care and services to patients that cannot be avoided by merely attributing the negligence to an individual employee.

IV. CORPORATE HEALTHCARE AND MEDICAL NEGLIGENCE: THE EMERGING FRAMEWORK OF HOSPITAL ACCOUNTABILITY

The corporate liability of private hospitals may arise through several legal and institutional mechanisms. Modern healthcare delivery is a collaborative process involving medical practitioners, nurses, technicians, administrative personnel, and management authorities. Consequently, patient harm may result not only from individual mistakes but also from organisational failures attributable to the hospital itself. Courts have increasingly recognised that hospitals owe an independent duty to ensure safe, competent, and effective healthcare services. The principal grounds on which private hospitals may be held liable are discussed below.

A. VICARIOUS LIABILITY

A significant aspect of a hospital's liability is identified through the doctrine of vicarious liability. An employer could potentially obtain liability for the wrongful act of an employee, when that act is done within the course of the employment. In the context of health care, a hospital's liability for an employee's negligence may arise from the negligent acts performed by the physician, nurse, technician, or another employee acting within the course of their employment.

The rationale behind this doctrine is that the hospitals have control of their employees, benefit from the services provided by their employees, and thus have a duty to ensure that the services provided by their employees are provided with reasonable care. The Supreme Court's decision in Spring Meadows Hospital v. Harjol Ahluwalia[7], supported this doctrine by holding the hospital liable for the negligent acts of its staff. Through the application of vicarious liability, it is assured that patients do not rest without an effective means of obtaining remedy for their injuries, just because the act of negligence was committed by an individual employee.

B. CORPORATE NEGLIGENCE

In addition to the liability imposed by virtue of vicarious liability for an employee's actions, a hospital may also incur direct liability by virtue of the corporation's own negligent actions through the theory of corporate negligence. While vicarious liability arises as a result of the actions of an employee, corporate negligence occurs as a result of the negligent acts of the hospital as an entity.

The hospital may be held directly liable when it has failed to establish and maintain a standard of care that is reasonable in regard to its patients, failed to develop safety protocol, and/or allowed activities or procedures that create foreseeable risks to its patients[8]. By virtue of corporate negligence, it is recognised that hospitals have independent responsibilities, separate and apart from merely being a location for the delivery of health care services. In addition, hospitals have an expectation to develop systems and processes that promote patient safety by limiting the possibility of medical errors.

C. ADMINISTRATIVE NEGLIGENCE

Patient injuries and institutional liability can often arise from administrative mistakes. In addition, hospital administrators must ensure that; staff is sufficient to meet patients; needs, that staff are

[7]M/S Spring Meadows Hospital & Anr. v. Harjol Ahluwalia Through K.S. Ahluwalia & Anr., LawFoyer (Feb. 28, 2025), https://lawfoyer.in/m-s-spring-meadows-hospital-anr-v-harjol-ahluwalia-through-k-s-ahluwalia-anr/.

[8]Patient Safety, (Sept. 13, 2019), https://www.who.int/news-room/fact-sheets/detail/patient-safety.

adequately supervised; and that interdepartmental functions of hospitals work as one. They must also ensure that patient records are kept accurate.

Deficiencies in the way hospitals are administrated will create delays in treatment, medication mistakes, poor communication between healthcare providers, and/or unable to monitor patients. Many of these deficiencies can be attributed to poor management rather than to an individual physician's or nurse's mistake. Therefore, liability can rest on the institution for failing to maintain the proper administrative systems necessary to ensure high-quality health care.

D. INFRASTRUCTURE AND EQUIPMENT FAILURES

Private hospitals have a clear duty to keep their facilities safe and their medical equipment in good working order[9]. Today's medicine depends on complex machines and technology, so maintenance isn't just an afterthought rather it is central to patient safety.

When hospitals cut corners leaving faulty equipment unrepaired, failing to stock emergency rooms properly, ignoring hygiene, or letting key supplies run out, they put people at risk. Equipment that fails mid-treatment, broken life-support systems, or sloppy infection control can all lead to serious harm. In these cases, the blame does not land on individual doctors or nurses. It falls on the hospital itself, for not creating and maintaining an environment where people can actually feel safe and cared for.

E. CREDENTIALING AND HIRING FAILURES

Hospitals have a responsibility to make smart choices when they bring on healthcare professionals. That means actually checking credentials, making sure people are competent, and confirming that everyone has the right training for the job.

If a hospital skips background checks or lets someone without proper qualifications treat patients, that's negligence. The same goes when administrators ignore reports of incompetence or refuse to step in when an employee's behaviour puts patients at risk. Ultimately, good credentialing is not just

[9]Client Challenge, https://www.scribd.com/document/853758470/NABH-Hospital-Accreditation-Standard-6th-Edition-January-2025-1.

a box to check, it is central to making sure hospitals are accountable for who they hire and the care they deliver.

V. BARRIERS TO PROVIDING INSTITUTIONAL NEGLIGENCE

Despite the growing recognition of corporate liability in medical negligence cases, establishing such liability remains challenging. One of the primary difficulties lies in proving causation, as patients must demonstrate that the hospital's actions or omissions directly contributed to the harm suffered. Given the complexity of medical treatment, adverse outcomes may result from multiple factors, including pre-existing conditions and unforeseen complications.[10]

Another challenge involves distinguishing negligence attributable to individual practitioners from negligence arising from institutional failures. Hospitals often operate through complex organisational structures involving doctors, nurses, technicians, and administrators, making it difficult to identify the precise source of negligence. Furthermore, medical negligence claims frequently depend on expert testimony to establish the applicable standard of care, which may be costly and difficult for patients to obtain[11].

These challenges highlight the need for clearer accountability mechanisms capable of addressing institutional failures within modern healthcare organisations.

VI. STRENGTHENING INSTITUTIONAL ACCOUNTABILITY IN HEALTHCARE

As private hospitals continue to expand their role in healthcare delivery, greater emphasis must be placed on institutional accountability and patient safety. Effective corporate governance can play a crucial role in reducing instances of medical negligence by ensuring that hospitals maintain robust compliance systems, transparent decision-making processes, and effective risk management mechanisms.

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[10]ResearchGate, Medical Negligence Liability under the Consumer Protection Act: A Review of Judicial Perspective, https://www.researchgate.net/publication/38059353_Medical_negligence_liability_under_the_consumer_protection_act_A_review_of_judicial_perspective.

[11]Expert Evidence, (Mar. 29, 2018), https://docs.manupatra.in/newsline/articles/Upload/68598D7D-344C-41C5-9FFD-89CE870BB3BB.pdf.

Hospitals should establish comprehensive internal policies relating to patient safety, incident reporting, record maintenance, and grievance redressal. Regular audits, staff training programmes, and quality assurance measures can help identify risks before they result in patient harm. Additionally, accreditation mechanisms such as those developed by the National Accreditation Board for Hospitals and Healthcare Providers (NABH) encourage healthcare institutions to adhere to recognised standards of quality and safety.

Modern healthcare governance is also increasingly influenced by Environmental, Social, and Governance (ESG) principles[12]. While environmental considerations may relate to issues such as biomedical waste management, the social and governance dimensions are particularly relevant to healthcare institutions. Patient welfare, ethical treatment, transparency, accountability, and effective oversight are all essential components of responsible healthcare administration. By integrating governance and compliance measures into their operational frameworks, hospitals can move beyond a reactive approach focused solely on liability and compensation towards a preventive model centred on quality healthcare delivery.

VII. FROM LIABILITY TO ACCOUNTABILITY: THE WAY FORWARD

The evolution of medical negligence jurisprudence reflects a growing recognition that patient safety depends not only upon the competence of individual practitioners but also upon the effectiveness of the institutions within which they operate. As healthcare services become increasingly corporatised, hospitals must accept greater responsibility for maintaining systems that promote safe and effective patient care.

Strengthening corporate liability frameworks can encourage hospitals to improve governance standards, enhance risk management practices, and prioritise patient welfare. While legal remedies

[12]What is ESG and Why is it Important?, The Report (Oct. 2, 2025), https://esgthereport.com/what-is-esg-and-why-is-it-important/.

remain essential for compensating victims of negligence, the ultimate objective should be the prevention of harm through proactive institutional accountability. As private hospitals continue to dominate healthcare delivery in India, a balanced framework combining legal responsibility, effective governance, and patient-centred care will be crucial in strengthening public confidence in the healthcare system.

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