

2014 PA Super 143

PATRICK J. MACPHERSON, EXECUTOR	:	IN THE SUPERIOR COURT OF
OF THE ESTATE OF RICHARD	:	PENNSYLVANIA
MACPHERSON, DECEASED	:	

v.

THE MAGEE MEMORIAL HOSPITAL FOR	:
CONVALESCENCE d/b/a MAGEE	:
REHABILITATION HOSPITAL,	:
JEFFERSON HEALTH SYSTEM, INC.,	:
TJUH SYSTEM, MANOR CARE OF	:
YEADON PA, LLC, d/b/a MANORCARE	:
HEALTH SERVICES-YEADON,	:
HCR MANOR CARE, INC.,	:
MANORCARE, INC., HCR HEALTHCARE,	:
LLC, HCR II HEALTHCARE, LLC,	:
HCR III HEALTHCARE, LLC	:

APPEAL OF:

MANOR CARE OF YEADON PA, LLC,	:
d/b/a MANORCARE HEALTH	:
SERVICES-YEADON, HCR MANOR	:
CARE, INC., MANORCARE, INC.,	:
HCR HEALTHCARE, LLC,	:
HCR II HEALTHCARE, LLC, AND	:
HCR III HEALTHCARE, LLC	:

No. 80 EDA 2013

Appeal from the Order Entered November 20, 2012,  
In the Court of Common Pleas of Philadelphia County,  
Civil Division, at No. 191 Oct. Term 2011.

BEFORE: GANTMAN, SHOGAN and PLATT\*, JJ.

OPINION BY SHOGAN, J.:

**FILED JULY 10, 2014**

Appellants, Manor Care of Yeadon PA, LLC, d/b/a ManorCare Health Services-Yeadon ("Manor Care"), *et al.*, appeal from the trial court's order overruling their preliminary objections to the trial court's jurisdiction and

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\*Retired Senior Judge assigned to the Superior Court.

venue in this action filed by Appellee, Patrick J. MacPherson ("MacPherson"), as executor of the estate of his brother, Richard MacPherson ("Decedent"). The preliminary objections were based on the existence of an arbitration agreement between Manor Care and Decedent. For the reasons that follow, we reverse and remand this case for referral to arbitration.

On August 20, 2009, Decedent, who was fifty-four years old and had no history of dementia or mental illness, was admitted to Magee Rehabilitation Hospital ("Magee").<sup>1</sup> On September 15, 2009, Decedent was admitted to Manor Care, a nursing home facility.<sup>2</sup> On October 6, 2009, Decedent and a Manor Care representative executed an arbitration agreement ("Agreement"), which provided that any dispute between the parties would be submitted to binding arbitration. Decedent resided at Manor Care until his death on February 1, 2010. On January 27, 2012, MacPherson filed a complaint advancing claims of negligence, negligence *per se*, corporate negligence, wrongful death and survivorship in connection with Decedent's stays at Magee and Manor Care. On March 30, 2012, Manor Care filed preliminary objections seeking transfer of the case to arbitration pursuant to the Agreement. Following discovery and briefing by the parties,

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<sup>1</sup> The Magee Memorial Hospital for Convalescence d/b/a Magee Rehabilitation Hospital, Jefferson Health System, Inc., and TJUH System ("Hospital Defendants") are engaged in the ownership and operation of hospital facilities, which include Magee.

<sup>2</sup> Appellants own and operate nursing home facilities, which include Manor Care.

the trial court entered an order on November 20, 2012, overruling Manor Care's preliminary objections. This timely appeal followed.<sup>3</sup>

Manor Care raises four issues on appeal, all of which challenge the trial court's refusal to transfer this matter to arbitration,<sup>4</sup> as follows:

- I. Whether the Trial Court erred in overruling [Manor Care's] Preliminary Objections seeking to compel arbitration without applying or acknowledging the liberal standards favoring arbitration of disputes contained in the Federal Arbitration Act ("FAA") or Pennsylvania law?
- II. Whether the Trial Court erred in finding that the Decedent, Richard MacPherson, lacked capacity to execute the Arbitration Agreement?
- III. Whether the Trial Court erred in finding that the Arbitration Agreement at issue in this case was unenforceable due to both procedural and substantive unconscionability?
- IV. Whether the Trial Court erred in finding that the Arbitration Agreement was unenforceable due to the failure of a term in the agreement designating the National Arbitration Forum ("NAF") to administrate the arbitration?

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<sup>3</sup> The trial court did not order Manor Care to file a statement of errors complained of on appeal pursuant to Pa.R.A.P. 1925. On February 6, 2013, in compliance with Pa.R.A.P. 1925(a)(1), the trial court filed an order relying upon its prior order and opinion dated November 20, 2012, for its reasons overruling the preliminary objections.

<sup>4</sup> An order refusing to compel a case to arbitration is a threshold, jurisdictional question, **Gaffer Insurance Company, Ltd. v. Discover Reinsurance Company**, 936 A.2d 1109 (Pa. Super. 2007), that is appealable as an exception to the general rule that an order overruling preliminary objections is interlocutory and not appealable as of right. **Pisano v. Extendicare Homes, Inc.**, 77 A.3d 651, 654 (Pa. Super. 2013), *appeal denied*, 86 A.3d 233 (Pa. 2014), *cert. denied*, **Extendicare Homes, Inc. v. Pisano**, \_\_\_ U.S. \_\_\_, 2014 WL 2207212 (U.S. June 30, 2014); **see also** 42 Pa.C.S.A. § 7320(a)(1) (appeal may be taken, *inter alia*, from an order denying an application to compel arbitration).

(Manor Care's Brief at 5).

The Agreement at issue reads as follows:

**VOLUNTARY AGREEMENT: If you do not accept this Agreement, the Patient will still be allowed to live in, and receive services in, this Center.**

**ARBITRATION AGREEMENT ("AGREEMENT")**

**BY ACCEPTING THIS AGREEMENT, THE PARTIES ARE WAIVING THEIR RIGHT TO A TRIAL BEFORE A JUDGE AND/OR A JURY OF ANY DISPUTE BETWEEN THEM. PLEASE READ THIS AGREEMENT CAREFULLY AND IN ITS ENTIRETY BEFORE ACCEPTING ITS TERMS.**

This Agreement made on \_\_\_\_\_ (date) by and between the Parties, Patient Richard MacPherson [handwritten] and/or Patient's Legal Representative \_\_\_\_\_ (collectively referred to as "Patient"), and the Center Manor Care Yeadon [handwritten], is an Agreement intended to require that **Disputes** be resolved by arbitration. The Patient's Legal Representative agrees that he is signing this Agreement as a Party, both in his representative and individual capacity.

**A. What is Arbitration?:** Arbitration is a cost effective and time saving method of resolving disputes without involving the courts. In using arbitration, the disputes are heard and decided by a private individual called an arbitrator. The dispute will not be heard or decided by a judge or jury.

**B. AGREEMENT TO ARBITRATE "DISPUTES":** Any and all claims or controversies arising out of or *in any way* relating to this Agreement, the Admission Agreement or any of the Patient's stays at this Center, or any Center operated by any subsidiary of HCR-Manor Care, Inc., whether or not related to medical malpractice, including but not limited to disputes regarding the making, execution, validity, enforceability, voidability, unconscionability, severability, scope, interpretation, preemption, waiver, or any other defense to enforceability of this Agreement or the Admission Agreement, whether arising out of State or Federal law, whether existing now or arising in the future, whether for statutory, compensatory or punitive damages

and whether sounding in breach of contract, tort or breach of statutory duties (including, without limitation except as indicated, any claim based on Patients' Rights or a claim for unpaid Center charges), regardless of the basis for the duty or of the legal theories upon which the claim is asserted, shall be submitted to binding arbitration. Notwithstanding the above, nothing in this Agreement prevents the Patient from filing a grievance or complaint with the Center or appropriate governmental agency; from requesting an inspection of the Center from such agency; or from seeking review under any applicable federal, state or local law of any decision to involuntarily discharge or transfer the Patient from the Center.

**1. Administrator:** The arbitration shall be administered by National Arbitration Forum ("NAF"), 6465 Wayzata Blvd,, Suite 500, Minneapolis, MN 55426, [www.arbitration-forum.com](http://www.arbitration-forum.com) (hereinafter "Administrator"). If the Parties mutually agree in writing not to select NAF or if the NAF is unwilling or unable to serve as the Administrator, the Parties shall agree upon another independent entity to serve as the Administrator, unless the Parties mutually agree to not have an Administrator.

**2. Demand for Arbitration** shall be made in writing, sent to the other Party via certified mail, return receipt requested, and filed with the NAF (unless NAF is mutually waived).

**3. Arbitration Panel:** The arbitration shall be conducted by three (3) Arbitrators (the "Panel"). Each Party will select one Arbitrator. The two selected Arbitrators will select a third Arbitrator. Each Arbitrator must be a retired State or Federal Court Judge or a Member of the State Bar where the Center is located with at least 10 years of experience as an attorney. NAF approved Arbitrators do not have to be used. If one Party refuses to select its arbitrator within 30 days of a written request for same, then the Administrator shall select that Party's Arbitrator.

**4. Sole Decision Maker:** The Arbitration Panel is empowered with the sole jurisdiction to, and shall, resolve **all** disputes, including without limitation, any disputes about the making, validity, enforceability, scope, interpretation, voidability, unconscionability, preemption, severability and/or waiver of this Agreement, as well as resolve the Parties' underlying disputes,

as it is the Parties' intent to completely avoid involving the court system. The Panel shall not have jurisdiction to certify any person as a representative of a class of persons and, by doing so, adjudicate claims of persons not directly taking part in Arbitration.

**5. Procedural Rules and Substantive Law:** The Panel shall apply the Federal Rules of Evidence and Federal Rules of Civil Procedure except where otherwise stated in this Agreement. Also the Panel shall apply, and the arbitration award shall be consistent with, the State substantive law (including any and all statutory damage caps) for the State in which the Center is located, except as otherwise stated in this Agreement or where preempted by the FAA. The Panel shall apply NAF's Code of Procedure (in effect as of May 1, 2006) unless otherwise stated in this Agreement. NAF's Code of Procedure may be obtained from NAF, (877) 655-7755, [www.arbitration-forum.com](http://www.arbitration-forum.com). The Parties hereby opt out of NAF Rules (45 regarding indigents; 43 regarding appeals and judicial review).

**6. Refusal to Arbitrate:** Any Party who refuses to go forward with arbitration acknowledges that the Panel will go forward with the arbitration hearing and render a binding award without the participation of such party or despite his absence at the hearing.

**7. Waiver of Claim:** Any claim shall be forever waived if it arose prior to the arbitration hearing and is not presented in such hearing. A claim that is not served within the statute of limitations period applicable to the same claim in a court of law in the state in which this Center is located shall be forever waived.

**8. Award.** The Panel's award must be unanimous and shall be served no later than five (5) working days after the arbitration hearing. The award must state in detail the Panels' findings of fact and conclusions of law, shall be marked confidential", and must be signed by all three arbitrators. If any damages are awarded, the award must delineate specific amounts for economic and/or non-economic damages.

**9. Final with Limited Rights to Review (Appeal):** The Panel's award binds the Parties. The Parties have a limited right of review for only the express reasons allowed by the FAA.

[No section C. in original]

**D. DISCOVERY:** Discovery shall be governed by NAF's Code of Procedure. However, discovery shall be limited as follows: **(1)** Within 30 days after service of the Demand, each Party must comply with Fed. R. Civ. P., Rule 26(a)(1) and thereafter must comply with Rule 26(e) regarding supplementation of disclosures and responses. **(2)** A Party may serve a maximum of 30 written questions (interrogatories), 30 requests to produce documents and 30 requests for admissions; inclusive of subparts. **(3)** The following disclosures shall be served no later than one hundred fifty (150) days before the arbitration hearing by the Claimant, and one hundred twenty (120) days before the arbitration hearing by the Respondent: (a) list of witnesses to be called at the Hearing (full name, title, address and phone number if known) and an outline of each witnesses' intended testimony; (b) list of documents to be relied upon at Hearing; except documents to be used solely for impeachment purposes; (c) any sworn recorded statements to be relied upon at Hearing including the full name, title, address and phone number of the person who gave the statement. The parties shall supplement these disclosures per Fed. R. Civ. Pr., Rule 26 (e). **(4)** Each Party may have up to three (3) experts and no more than ten (10) lay witnesses for its witness list, as well as for the Hearing. Depositions of witnesses shall be limited to those people listed on the Parties' witness lists or in the Parties' Rule 26 disclosures or discovery responses but under no circumstances will a party be allowed to a take more than 13 depositions. A written report summarizing each expert's opinions and the basis for each opinion, and a list of all records contained in the expert's file, must be served at least thirty (30) days before the expert's deposition; **(5)** Discovery shall be completed 45 days before the Hearing and the Hearing shall begin no later than 365 days after Demand for Arbitration is served, shall last in duration no longer than five (5) working days, and the hearing time allowed shall be split on a pro rata basis subject to the Panel's discretion. **(6)** The Parties may agree to modify these discovery terms or deadlines.

**E. RIGHT TO CHANGE YOUR MIND:** This Agreement may be cancelled by written notice sent by certified mail to the Center's Administrator within thirty (30) calendar days of the Patient's date of admission. If alleged acts underlying the dispute occur before the cancellation date, this Agreement shall be binding with respect to those alleged acts. If not cancelled, this Agreement shall be binding on the Patient for this and all of the Patient's other admissions to the Center without any need for further renewal.

**F. OTHER PROVISIONS:**

**1. No Caps/Limits on Damages:** There are no caps/limits on the amount of damages the Panel can award other than those already imposed by law in the state in which this Center is located. All state laws, statutes and regulations that limit awardable damages and define the scope of admissible and inadmissible evidence (i.e. regulatory surveys, incident reports, etc.) expressly apply to any arbitration hearing held pursuant to this Agreement.

**2. Opportunity to Review & Right to Consult with Attorney:** The patient (if competent) and the Patient's Legal Representative acknowledge that the patient and Legal Representative have each received a copy of this Agreement, and have had an opportunity to read it (or have it read to him/her) and ask questions about it before accepting it. Please read this Agreement very carefully and ask any questions that you have before signing it. Feel free to consult with an attorney of your choice before signing this Agreement.

**3. Benefits of Arbitration:** The Parties' decision to select Arbitration is supported by the potential cost-effectiveness and time-savings offered by selecting arbitration, which seeks to avoid the expense and delay in the court system. The Parties recognize that often the Patient is elderly and may have a limited life-expectancy, and therefore selecting a quick method of resolution is potentially to a Patient's advantage. The Parties agree that the reasons stated above are proper consideration for the acceptance of the Agreement.

**4. FAA:** The Parties hereby agree and intend that this Agreement, the Admission Agreement and the Patient's stays at



the Center substantially involve interstate commerce, and stipulate that the Federal Arbitration Act ("FAA") in effect as of November 1, 2008 and federal case law interpreting such version of the FAA shall apply to this Agreement, shall preempt any inconsistent State law and shall not be reverse preempted by the McCarran-Ferguson Act; United States Code Title 15, Chapter 20, or other law. Any amendment to such version of the FAA is hereby expressly waived.

**5. Binding on Parties & Others:** The Parties intend that this Agreement shall inure to the direct benefit of and bind the Center, its parent, affiliates, and subsidiary companies, management companies, executive directors, owners, officers, partners, shareholders, directors, medical directors, employees, successors, assigns, agents, insurers and any entity or person (including health care providers) that provided any services, supplies or equipment related to the Patient's stay at the Center, and shall inure to the direct benefit of and bind the Patient (as defined herein), his/her successors, spouses, children, next of kin, guardians, administrators, legal representatives, responsible parties, assigns, agents, attorneys, health care proxies, health care surrogates, third Party beneficiaries, insurers, heirs, trustees, survivors and representatives, including the personal representatives or executors of his/her estate, any person whose claim is derived through or on behalf of the Patient or relates in any way to the Patient's stay(s) at this Center, or any person who previously assumed responsibility for providing Patient with necessary services such as food, shelter, clothing, or medicine, and any person who executed this Agreement or the Admission Agreement.

**6. Fees and Costs:** The Panels' fees and costs will be paid by the Center except in disputes over non-payment of Center charges wherein such fees and costs will be divided equally between the Parties. NAF's administrative fees shall be divided equally among the Parties. To the extent permitted by law, any Party who unsuccessfully challenges the enforcement of this Agreement shall be required to pay the successful Parties' reasonable attorney fees and costs incurred to enforce such contract (i.e., Motion to Compel Arbitration). The Parties shall bear their own attorney fees and costs in relation to all preparation and attendance at the arbitration hearing, unless the Panel concludes that the law provides otherwise. Except as

stated above, the Parties waive any right to recover attorneys' fees and costs.

**7. Confidentiality:** The arbitration proceedings shall remain confidential in all respects, including all filings, deposition transcripts, discovery documents, or other materials exchanged between the Parties and the Panels' award. In addition, following receipt of the Panels' award, each Party agrees to return to the producing Party within 30 days the original and all copies of documents exchanged in discovery and at the arbitration Hearing.

**8. Waiver of this Agreement:** Either Party may file its dispute in a court of law if the other Party approves, which approval shall only be established by such Party filing a response to the Complaint without moving in a timely manner, as prescribed by the applicable rules of court, to enforce this Agreement. However, should one of the Parties to this Binding Arbitration Agreement breach its terms by initiating a lawsuit in the judicial forum, the Parties expressly agree that participation in cooperative general discovery while a motion to compel arbitration is pending shall not constitute evidence of a waiver of the right to arbitrate. A waiver of the right to arbitrate a specific Dispute or series of Disputes, as described above, relieves neither Party of the contractual obligation to arbitrate *other* Disputes, including both permissive and mandatory counterclaims, unless also subsequently waived.

**9. Severability, Integration and Survival:** Any term, phrase or provision contained in this Agreement is severable, and in the event any of them is found to be void, invalid or unenforceable for any reason, this Agreement shall be interpreted as if such term, phrase or provision were not contained herein, and the remaining provisions of this Agreement shall not be affected by such determination and shall remain in full force and effect. This Agreement represents the Parties' entire agreement regarding Disputes, supersedes any other agreement relating to disputes, and it may only be changed in writing signed by all Parties. This Agreement shall remain in full force and effect notwithstanding the termination, cancellation or natural expiration of the Admission Agreement.

**10. No Jury trial:** If this Agreement is found to be unenforceable and arbitration is not compelled, then as a default, the Parties agree that the disputes shall be resolved solely by a judge via a bench trial. Under no circumstances will a jury decide any dispute.

**11. Health Care Decision:** The Parties hereby stipulate that the decision to have the Patient move into this Center and the decision to agree to this Agreement are each a health care decision. The Parties stipulate that there are other health care facilities in this community currently available to meet the Patient's needs.

**12. Legal Representative:** The Patient's Legal Representative, by his or her signature below, hereby represents and stipulates that he/she has been authorized by the Patient to sign this Agreement on behalf of the Patient.

**BY SIGNING BELOW, THE PARTIES CONFIRM THAT EACH OF THEM HAS READ ALL FOUR (4) PAGES OF THIS AGREEMENT AND UNDERSTANDS THAT EACH HAS WAIVED THE RIGHT TO A TRIAL BEFORE A JUDGE OR JURY AND THAT EACH OF THEM CONSENTS TO ALL OF THE TERMS OF THIS VOLUNTARY AGREEMENT.**

Agreement, 10/06/09, at 1-4 (emphasis in original).

Our standard of review of a claim that the trial court improperly overruled preliminary objections in the nature of a petition to compel arbitration is clear. Our review "is limited to determining whether the trial court's findings are supported by substantial evidence and whether the trial court abused its discretion in denying the petition." ***Pisano v. Extendicare Homes, Inc.***, 77 A.3d 651, 654 (Pa. Super. 2013), *appeal denied*, 86 A.3d 233 (Pa. 2014), *cert. denied*, ***Extendicare Homes, Inc. v. Pisano***, \_\_\_\_

U.S. \_\_\_, 2014 WL 2207212 (U.S. June 30, 2014) (quoting **Walton v. Johnson**, 66 A.3d 782, 787 (Pa. Super. 2013)).

In doing so, we employ a two-part test to determine whether the trial court should have compelled arbitration." **Elwyn [v. DeLuca]**, 48 A.3d [457], 461 [(Pa. Super. 2012)] (quoting **Smay v. E.R. Stuebner, Inc.**, 864 A.2d 1266, 1270 (Pa. Super. 2004)). First, we examine whether a valid agreement to arbitrate exists. Second, we must determine whether the dispute is within the scope of the agreement.

**Pisano**, 77 A.3d at 654–655. "Whether a claim is within the scope of an arbitration provision is a matter of contract, and as with all questions of law, our review of the trial court's conclusion is plenary." **Elwyn v. DeLuca**, 48 A.3d 457, 461 (Pa. Super. 2012). Thus, we focus on whether a valid agreement exists and whether the dispute is within its scope in addressing MacPherson's claims.

As to Manor Care's first issue on appeal, we agree that the trial court's opinion fails to recognize, no less apply, the liberal policy favoring arbitration contained in the Federal Arbitration Act, 9 U.S.C. §§ 1–16 ("FAA"), as well as Pennsylvania law, to the instant Agreement. **See** Trial Court Opinion, 11/20/12. As we recently explained:

Pennsylvania has a well-established public policy that favors arbitration, and this policy aligns with the federal approach expressed in the Federal Arbitration Act ("FAA"). The fundamental purpose of the [FAA] is to relieve the parties from expensive litigation and to help ease the current congestion of court calendars. Its passage was a congressional declaration of a liberal federal policy favoring arbitration agreements.

**Pisano**, 77 A.3d at 661 (citations, quotation marks, and footnote omitted). This policy applies equally to all arbitration agreements, including those involving nursing homes. **See Marmet Health Care Center, Inc. v. Brown**, \_\_\_ U.S. \_\_\_, 132 S.Ct. 1201, 1203–1204 (2012) (holding that the FAA preempts state law that categorically prohibits arbitration of particular types of claims, which is “contrary to the terms and coverage of the FAA”); **accord Pisano**, 77 A.3d at 661 n.7. Thus, “when addressing the specific issue of whether there is a valid agreement to arbitrate, courts generally should apply ordinary state-law principles that govern the formation of contracts, but in doing so, must give due regard to the federal policy favoring arbitration.” **Gaffer Insurance Company, Ltd. v. Discover Reinsurance Company**, 936 A.2d 1109, 1114 (Pa. Super. 2007).

In its second issue, Manor Care contends that the trial court erred in holding that Decedent lacked the requisite capacity to enter into the Agreement. Despite the fact that MacPherson clearly indicated that he was not challenging Decedent’s capacity to enter into the Agreement,<sup>5</sup> the trial

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<sup>5</sup> While this statement by MacPherson appears in his supplemental answers to arbitration discovery apparently filed after the deadline for filing supplemental briefs, **see** Manor Care’s Brief at 10, it is consistent with MacPherson’s representation in his brief that he “was NOT challenging [Decedent’s] capacity to enter into the [Agreement]. MacPherson’s Brief at 12; [MacPherson’s] Supplemental Answers to [Manor Care’s] Interrogatories, 10/9/12 at ¶ 9(e).

court intimated that Decedent lacked the capacity to sign the agreement, or signed it under duress, as follows:

[T]he records reveal that by October 6, 2009,<sup>6</sup> [Decedent] had lost more than 20 pounds since his initial August, 2009 hospitalization. He was dependent on staff and incontinent. His body was covered with blisters, scars[,] wounds, necrotic tissue, and lesions. He suffered from ailments, including [congestive obstructive pulmonary disorder] COPD, congestive heart failure, depression, Hepatitis C, diabetes and substance abuse. Mr. MacPherson was deceased and not available for deposition, and, [Manor Care's] representative has no recollection of her conversation with him.

Trial Court Opinion, 11/20/12, at 1.

Although the trial court did not specifically reference Decedent's "capacity," it appears to conclude that Decedent's cognition was lacking in this regard. While the certified record before us reflects that Decedent had numerous physical ailments, including paraplegia, there is no indication or evidence of dementia, mental illness, disorientation, or even confusion. In fact, medical records indicate Decedent was alert and oriented as to person, place, and time until January 8, 2010. Supplemental Memorandum of Law in Support of Manor Care's Preliminary Objections to [MacPherson's] Amended Complaint ("Supplemental Memo"), 10/12/12, Exhibit K; Reproduced Record ("R.R.") at 778a-798a. Indeed, Dr. Azad Khan, Decedent's treating physician, completed medical history and physical examination records and

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<sup>6</sup> Decedent entered Manor Care on September 15, 2009. Amended Complaint, 3/19/12, at ¶ 1.

weekly progress notes from September 25, 2009, until October 31, 2009, which encompassed the period when Decedent signed the Agreement on October 6, 2009. Those notes consistently indicated that Decedent was alert and oriented to person, place, and time. ***Id.***

Moreover, the nursing admission evaluations completed on the date of admission, which was September 15, 2009, and the date of readmission, September 24, 2009, reveal that Decedent's cognitive status was "alert and oriented to time, person, place, and situation." Supplemental Memo at Exhibit M; R.R. at 795a-796a. Significantly, even as of October 29, 2009, the nursing evaluation of Decedent's cognitive status remained the same. At all times from September 15, 2009, through October 29, 2009, the nursing staff at Manor Care deemed Decedent cognitively competent. Supplemental Memo at Exhibit M; R.R. at 795a-797a.

Significantly, MacPherson did not visit Decedent when Decedent was admitted to Manor Care in September 2009 or near the time when Decedent signed the Agreement. Thus, MacPherson cannot attest to Decedent's mental status during that period. Supplemental Memo, at Exhibit N ¶¶ 15-16; R.R. at 806a; [MacPherson's] Supplemental Answers to [Manor Care's] Interrogatories, 10/9/12 at ¶ 18. **See** Manor Care's Brief at Addendum B. In the absence of record evidence of Decedent's mental incapacity, this

apparent conclusion by the trial court is not supported by the certified record and cannot be used as a basis for its decision.

In its third issue, Manor Care challenges the trial court's conclusion that the Agreement was either substantively or procedurally unconscionable.

The trial court stated:

[W]hen considering the medical condition of this resident, and his inability to negotiate the terms, it is apparent that the terms unreasonably favor the Defendant-drafters of the agreement, including, *inter alia*, losing challenger must pay opponent's attorney fees and costs, arbitration costs to be equally divided, no jury trial, and very limited rights to appeal.

Trial Court Opinion, 11/20/12, at 2. This conclusion, as well, is unsupported in the record.

"A determination of unconscionability requires a two-fold determination: 1) that the contractual terms are unreasonably favorable to the drafter, and 2) that there is no meaningful choice on the part of the other party regarding the acceptance of the provisions." **McNulty v. H & R Block, Inc.**, 843 A.2d 1267, 1273 (Pa. Super. 2004).

**H & R Block Eastern Tax Services, Inc. v. Zarilla**, 69 A.3d 246, 250 (Pa. Super. 2013). The party challenging the agreement bears the burden of proof. **Salley v. Option One Mortg. Corp.**, 925 A.2d 115 (Pa. 2007).

The instant Agreement provides that a losing challenger to the enforcement of the Agreement must pay the other party's fees and costs. Agreement at 3, ¶ F(6). However, in preparing for arbitration, the Agreement provides that the parties pay their own fees and costs, similar to civil litigation practice in common pleas court. **Id.** at 3-4, ¶ F(6). The



Agreement contains a conspicuous, large, bolded notification that the parties, by signing, are waiving the right to a trial before a judge or jury. *Id.* at 1. At the top of the Agreement, in bold typeface and underlined, the Agreement states that it is voluntary, and if the patient refused to sign it, “the Patient will still be allowed to live in, and receive services” at Manor Care. *Id.* at 1. Also, the Agreement provides that Manor Care will pay the arbitrators’ fees and costs, and that there are no caps or limits on damages other than those already imposed by state law. *Id.* at 3, ¶ F(6), ¶ F(1). Lastly, the Agreement contains a provision allowing the patient to rescind within thirty days. *Id.* at 3, ¶ E. All of these provisions compel us to conclude that the Agreement is not unconscionable under Pennsylvania law.

Finally, Manor Care asserts that the trial court erred in holding that the Agreement was unenforceable due to the failure of a term in the Agreement designating the National Arbitration Forum (“NAF”)<sup>7</sup> to administrate the arbitration. Manor Care’s Brief at 5. The trial court, absent any analysis, included a single sentence in its perfunctory opinion addressing this issue: “Finally, it does appear that there is a failure of an integral term which is not severable, that is, the NAF requirements.” Trial Court Opinion, 11/20/12, at 2.

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<sup>7</sup> The NAF can no longer accept arbitration cases pursuant to a consent decree it entered with the Attorney General of Minnesota. *See Stewart v. GGNSC-Canonsburg, L.P.*, 9 A.3d 215, 217 (Pa. Super. 2010).

In defending this determination, MacPherson relies upon ***Stewart v. GGNSC-Canonsburg, L.P.***, 9 A.3d 215 (Pa. Super. 2010).<sup>8</sup> There, the plaintiff, by her attorney-in-fact, brought a negligence action against a nursing home facility, which filed preliminary objections seeking to compel enforcement of an arbitration agreement that included a forum selection clause designating the NAF and its procedures. ***Stewart***, 9 A.3d at 216–217. The trial court in ***Stewart*** determined that the arbitration agreement was unenforceable because the provisions designating the NAF and its procedures were integral to the agreement and could not be enforced due to the unavailability of the NAF. ***Id.*** at 217. The trial court concluded that an agreement to submit to a specific forum and its comprehensive set of rules evidenced an express intention to arbitrate exclusively before that organization. ***Id.*** The trial court also determined that the severability clause could not save the arbitration agreement because the court would be forced to rewrite the forum selection clause and devise a substitute forum and mode of arbitration for the parties. ***Id.*** This Court reviewed the trial court’s decision as a matter of first impression and affirmed by specifically adopting the trial court’s reasoning. ***Id.*** at 219.

We conclude that ***Stewart*** is distinguishable. We stated therein, “[A]n arbitration agreement will not fail because of the unavailability of a chosen

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<sup>8</sup> The trial court also cited ***Stewart***, but it did not engage in any analysis of the case’s applicability.

arbitrator unless the parties' choice of forum is an 'integral part' of the agreement to arbitrate, rather than 'an ancillary logistical concern.'" **Stewart**, 9 A.3d at 219 (citing **Reddam v. KPMG L.L.P.**, 457 F.3d 1054, 1061 (9<sup>th</sup> Cir. 2006); and **Brown v. ITT Consumer Financial Corp.**, 211 F.3d 1217, 1222 (11<sup>th</sup> Cir. 2000)). Since the parties in **Stewart** expressly agreed that any disputes would be resolved **exclusively** through arbitration with the NAF, this Court found the **exclusive** forum selection clause to be an integral part of the arbitration agreement. Relying primarily on the exclusive forum selection clause, we thus held that the unavailability of the NAF rendered the arbitration agreement unenforceable.

In the present case, however, the plain language of the Agreement does not evince an intent to arbitrate **only** before the NAF.<sup>9</sup> It provides a hierarchy of sorts that places NAF in the initial position, as follows:

1. **Administrator:** The arbitration shall be administered by National Arbitration Forum ("NAF"). . . . If the Parties mutually agree in writing not to select NAF **or if the NAF is unwilling or unable to serve as the Administrator**, the Parties **shall** agree upon another independent entity to serve as the Administrator, unless the Parties mutually agree to not have an Administrator.

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<sup>9</sup> In fact, NAF-approved arbitrators do not even have to be used under the Agreement. Agreement at 1, ¶ B(3).

Agreement at 1 ¶ B(1) (emphasis added).<sup>10</sup> The language in the instant Agreement is thus permissive, not mandatory, and provides for an alternative to NAF if it is unable or unwilling to serve, or if the parties choose otherwise. The arbitration agreement in **Stewart** contained no such provision. Therefore, we hold that the non-exclusive forum-selection clause herein is not an integral part of the Agreement, and the Agreement does not fail because of the unavailability of the NAF.<sup>11</sup>

We also reject Appellee MacPherson's contention that the Agreement's reference to the use of the NAF Code of Procedure in effect as of May 1, 2006 ("2006 Code") renders the Agreement unenforceable. First, we note that the referenced 2006 Code could not be found in the certified record on appeal; rather, it was merely attached as Exhibit A to MacPherson's brief. We remind Appellee that:

The law of Pennsylvania is well settled that matters which are not of record cannot be considered on appeal. [A]n appellate court is limited to considering only the materials in the certified record when resolving an issue. In this regard, our law is the

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<sup>10</sup> This provision is consistent with § 5 of the FAA which provides that an arbitrator will be appointed by the court if the parties cannot select one. 9 U.S.C. § 5.

<sup>11</sup> We note that one of the primary cases the **Stewart** court relied upon, **Khan v. Dell, Inc.**, 2010 WL 3283529, (D.N.J. 2010)(unpublished), has been overruled. **See Khan v. Dell, Inc.**, 669 F.3d 350 (3d Cir. 2012) (holding that the provisions of the FAA compelled the court to address the unavailability of NAF by appointing a substitute arbitrator, even in the absence of the alternate forum-selection language that is included in the instant Agreement).

same in both the civil and criminal context because, under the Pennsylvania Rules of Appellate Procedure, any document which is not part of the officially certified record is deemed non-existent—a deficiency which cannot be remedied merely by including copies of the missing documents in a brief or in the reproduced record.

***Commonwealth v. Preston***, 904 A.2d 1, 6–7 (Pa. Super. 2006) (*en banc*) (internal citations omitted). “[F]or purposes of appellate review, what is not in the certified record does not exist.” ***Ruspi v. Glatz***, 69 A.3d 680, 691 (Pa. Super. 2013), *appeal denied*, ***Ruspi v. Glatz***, 81 A.3d 78 (Pa. 2013). Thus, any arguments based on the specific provisions of the 2006 Code are waived.

Alternatively, we conclude that the provisions specifying the use of the 2006 Code are not integral parts of the Agreement and do not render the Agreement invalid. The relevant provisions of the Agreement provide, in part, as follows:

**B. 5. Procedural Rules and Substantive Law:** The Panel shall apply the Federal Rules of Evidence and Federal Rules of Civil Procedure except where otherwise stated in this Agreement. Also the Panel shall apply, and the arbitration award shall be consistent with, the State substantive law (including any and all statutory damage caps) for the State in which the Center is located, except as otherwise stated in this Agreement or where preempted by the FAA. The Panel shall apply NAF’s Code of Procedure (in effect as of May 1, 2006) unless otherwise stated in this Agreement . . . . The Parties hereby opt out of NAF Rules (45 regarding indigents; 43 regarding appeals and judicial review).

\* \* \*

**D. DISCOVERY:** Discovery shall be governed by NAF's Code of Procedure. However, discovery shall be limited as follows . . . . (6) The Parties may agree to modify these discovery terms or deadlines.

Agreement at 2, ¶¶ B(5) and (D).

In analyzing the above provisions, we are once again guided by our previous pronouncements in this area. “Where the arbitration clause selects merely the rules of a specific arbitral forum, as opposed to the forum itself, and another arbitral forum could apply those rules, the unavailability of the implicitly intended arbitral forum will not require the court to condemn the arbitration clause.” **Stewart**, 9 A.3d at 219 (citing **Reddam**, 457 F.3d at 1059-1061). As concluded previously, the Agreement at issue does not select a specific arbitral forum; rather, it creates a hierarchy, with alternatives to the NAF. Conceivably, another arbitral forum could apply the designated rules and procedures. **Stewart**, 9 A.3d at 219.<sup>12</sup> Thus, in the absence of an exclusive forum-selection clause, we hold that the provisions relating to the use of the 2006 Code are not integral to the Agreement.

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<sup>12</sup> MacPherson suggests that the 2006 Code cannot be “separated” from the NAF because, pursuant to Rule 1 of the 2006 Code, NAF staff are required to administer the arbitrations that take place under the NAF Code. MacPherson’s Brief at 5–7. Even if any arguments based on the specific provisions of the 2006 Code were not waived for failure to include that Code in the certified record, this argument lacks merit since this provision appears to conflict with other provisions in that Code. **See, e.g.**, Rule 47 of the 2006 Code (neither the Forum, nor its director, nor any employee or agent of the forum shall administer the arbitration). MacPherson’s Brief at Appendix A. Indeed, the Agreement itself does not even require the use of NAF-approved arbitrators. **See** Agreement at 1 ¶ B(3).

Moreover, because we do not consider the provisions referring to the use of the 2006 Code to be integral to the Agreement, they can be severed under the severance provision, which provides as follows:

**9. Severability, Integration and Survival: Any term, phrase or provision contained in this Agreement is severable, and in the event any of them is found to be void, invalid or unenforceable for any reason, this Agreement shall be interpreted as if such term, phrase or provision were not contained herein,** and the remaining provisions of this Agreement shall not be affected by such determination and shall remain in full force and effect.

Agreement at 4, ¶ F(9).

Finally, we conclude *Pisano, supra*, is distinguishable and, thus, does not control the scope of the Agreement. In *Pisano*, the appellee, the decedent's son and administrator of his father's estate, brought a wrongful death suit against the appellant, a long-term care nursing facility. The nursing facility filed preliminary objections based upon the existence of an alternative dispute resolution agreement between the facility and the decedent. *Pisano* held that while wrongful death actions are derivative of decedents' injuries, they are not derivative of decedents' rights, and therefore belong to the decedent's beneficiaries as opposed to the deceased individual. *Pisano*, 77 A.3d at 660. Thus, as a wrongful death beneficiary, Decedent's son was not bound by the Agreement.

Under the Pennsylvania wrongful death statute, recovery passes to a limited group of beneficiaries, as defined by the statute:

**§ 8301. Death action**

**(a) General rule.**--An action may be brought, under procedures prescribed by general rules, to recover damages for the death of an individual caused by the wrongful act or neglect or unlawful violence or negligence of another if no recovery for the same damages claimed in the wrongful death action was obtained by the injured individual during his lifetime and any prior actions for the same injuries are consolidated with the wrongful death claim so as to avoid a duplicate recovery.

**(b) Beneficiaries.**--Except as provided in subsection (d), **the right of action created by this section shall exist only for the benefit of the spouse, children or parents of the deceased . . . .**

\* \* \*

**(d) Action by personal representative.**--If no person is eligible to recover damages under subsection (b), the personal representative of the deceased may bring an action to recover damages for reasonable hospital, nursing, medical, funeral expenses and expenses of administration necessitated by reason of injuries causing death.

42 Pa.C.S.A. § 8301 (emphasis added).

Appellee MacPherson, as brother of Decedent, does not fall within the group of beneficiaries designated by the statute under subsection (b) above. He is the executor of Decedent's estate, and as such, he may bring an action solely for the benefit of the estate pursuant to subsection (d). A limited claim by a personal representative pursuant to § 8301(d) is derivative of and defined by the decedent's rights. Conversely, an action for wrongful death benefits pursuant to § 8301(b) belongs to the designated relatives and exists only for their benefit. **See *Pisano***, 77 A.3d at 657 (citing ***Moyer v.***



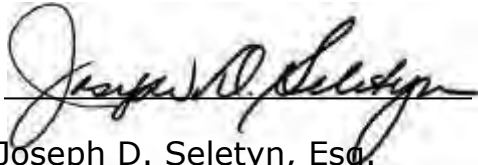
**Rubright**, 651 A.2d 1139, 1141 (Pa. Super. 1994)). Accordingly, we conclude that **Pisano** is applicable only to wrongful death claims brought by the beneficiaries designated in 42 Pa.C.S.A. § 8301(b). Personal representatives, however, are bound by otherwise enforceable arbitration agreements signed by a decedent.

In light of the liberal policy favoring arbitration agreements and for the reasons stated above, we reverse and remand this case for referral to arbitration.

Jurisdiction relinquished.

PLATT, J., files a Dissenting Opinion.

Judgment Entered.

A handwritten signature in black ink, appearing to read "Joseph D. Seletyn". The signature is written in a cursive style and is positioned above the printed name and title.

Joseph D. Seletyn, Esq.  
Prothonotary

Date: 7/10/2014