

Medical Staff By-laws are Contracts? Minnesota Supreme Court Says “Yes”

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That sound you just heard was the simultaneous gasp of hospital boards of directors throughout the state of Minnesota. In *Medical Staff of Avera Marshall Regional Medical Center v. Avera Marshall*, Minnesota’s highest court made two holdings that strengthened the autonomy of physicians and may shed light as to how courts may interpret medical staff by-laws in the future.

In the case at hand, the medical staff by-laws of ***Avera Marshall Regional Medical Center*** (“Avera Marshall”) included a provision that required a two-thirds vote of the eligible voting members (which included the medical staff) to revise or repeal the medical staff by-laws. Any changes to the by-laws approved by vote of the medical staff were still subject to the approval of the Board of Directors (“board”). The by-laws were silent, however, on whether actions of the board concerning revision of the by-laws required approval by the other voting members.

In January of 2012, the board notified the medical staff that it had approved both a repeal of the current by-laws and a replacement with new ones. It also essentially suggested that it would ignore the input of the medical staff as a body. The Medical Executive Committee reviewed the new by-laws and came to the conclusion that the rights of the medical staff and its ability to maintain quality patient care would be restricted under the new provisions. The medical staff then held a vote under the provision of the former by-laws, explicitly rejecting the repeal of the old set and the enactment of the new set. This, however, didn’t stop the new by-laws from taking effect, so the medical staff sued Avera Marshall.

Two issues ultimately came before the Minnesota Supremes: 1. Whether the medical staff had standing to sue the hospital, and 2. Whether the medical by-laws constitute a contract between the Avery Marshall and the medical staff.

The court answered both questions in the affirmative. The court first ruled that the medical staff is an unincorporated association that has standing to sue the hospital under Minnesota law. The second, and potentially the most instructive, held that the medical staff by-laws are enforceable as an implied contract.

This case is a clear win for physicians and medical staff, but it may have the most profound effects in the case of newly-acquired hospitals, such as in the present case. Avera had acquired the Avera

Marshall Regional Medical Center in 2009, but the medical staff by-laws had been in effect since 1995. Jurisdictions are still split as to whether medical staff by-laws constitute a contract, but Minnesota just added another “Yes” to the pile. Kentucky law is still unsettled as to the matter, so Kentucky boards of directors and medical staff should cast a wary eye on the outcome of this case.

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