

Insights

Court Finds Restrictive Covenant Unenforceable Against Hospital-Based CRNAs

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A recent Indiana case involving a non-compete in the healthcare field is worth review. In *Great Lakes Anesthesia, P.C. v. O'Bryan*, the Indiana Court of Appeals held that a restrictive covenant between an independent anesthesia group and two of its hospital-based CRNAs was unenforceable once the group terminated its agreement to provide services at the hospital. The group was a subcontractor of an entity that held the anesthesia contract with the hospital. After the group terminated its agreement, the CRNAs joined a competing anesthesia group and continued providing services at the hospital, contrary to the restrictive covenant.

The Court found that hospital-based CRNAs do not have the usual relationship with patients that might ordinarily justify a restrictive covenant, the CRNAs had not been hired to generate goodwill for the anesthesia group, and that the group's interest in protecting its relationship with the hospital ended when the group terminated its subcontract for the provision of anesthesia services at the hospital. Additionally, the Court found that the group's speculation about obtaining future business with the hospital was "tenuous at best" given the group's decision to abruptly stop providing services at the hospital unless the hospital entered into a contract with it, a negotiating tactic that back-fired and may have negatively impacted patients. The case is significant because it applies the well-established principles of law governing restrictive covenants generally to a hospital-based provider setting. It is reminiscent of the Court's previous opinion in *Duneland Emergency Physician's Medical Group v. Brunk* where it found a restrictive covenant in an emergency medicine physician's contract unenforceable. Access to the *Great Lakes Anesthesia* opinion is available [here](#).

Please contact Amy J. Adolay at aadolay@kdlegal.com or Robert A. Anderson at randerson@kdlegal.com with any questions or if we can assist you with agreements containing restrictive covenants.