

Indiana's Amended Physician Non-Compete Statute Bars Physician-Hospital Agreements Starting July 1

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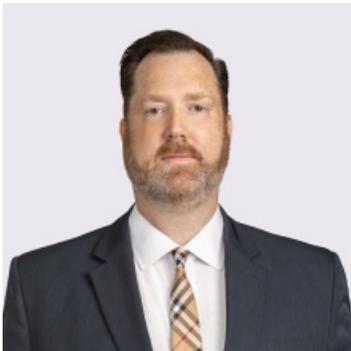
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Takeaways

- Indiana's 2025 amendment to its Physician Non-Compete Statute invalidates non-compete agreements between physicians of all types and hospitals (or specific hospital-related entities) entered into after 06.30.25.
- Although the 2025 amendment defines key terms such as "noncompete agreement," it does not affect the statute's original or 2023 restrictions or requirements or employers' existing agreements.
- Employers should immediately assess their practices and procedures for protecting against unfair competition by physicians.

Related links

- [Senate Enrolled Act No. 475](#)
- [Indiana's New Restrictions on Physician Non-Compete Agreements](#)
- [Indiana Bans Physician Non-Competes for Primary Care Physicians, Adds Restrictions for Others](#)

Article

Following a nationwide trend for physician mobility, Indiana's legislature has passed another amendment to the state's 2020 Physician Non-Compete Statute (Ind. Code § 25-22.5-5.5), which limits the enforceability of non-compete restrictions on physicians, to include all physicians employed by hospitals or certain hospital-related entities. Governor Mike Braun signed [Senate Enrolled Act No. 475](#) into law on May 6, 2025, and it takes effect beginning July 1, 2025.

2020 Physician Non-Compete Statute

Prior to 2020, physician non-compete agreements in Indiana were subject to the same legal analysis as agreements with other occupations. Enforceable non-compete restrictions must be reasonable in scope. Overly broad restrictive covenants in Indiana, including non-compete restrictions, are unenforceable as a matter of public policy as unfair restraints on trade.

The [Physician Non-Compete Statute](#) sets forth a laundry list of specific provisions required for any enforceable physician non-compete agreement signed on or after July 1, 2020. The required provisions include specific language on contact with patients about the physician, access to patient medical records, and a purchase option for the physician in exchange for a release from the non-compete restriction.

2023 Amendment

The [2023 amendment](#) implemented an outright ban for physician non-compete

agreements entered into on or after July 1, 2023, with primary care physicians. It makes non-compete restrictions with all other types of physicians void and unenforceable if the employer terminates the physician's employment without cause, if the physician terminates employment for cause, or if the physician's employment contract expires and both parties have fulfilled their respective contractual obligations.

2025 Amendment

Under the 2025 amendment, any non-compete agreements originally entered into on or after July 1, 2025, between physicians and a hospital, the parent company of a hospital, an affiliated manager of a hospital, or a hospital system are void and unenforceable outright. This is without regard to the physician's practice. Critically, this new limitation does not supplant the 2020 and 2023 schemes for assessing the enforceability of physician non-compete restrictions. Instead, it adds an additional framework.

The 2025 amendment also defines several key terms. However, these definitions explicitly apply only to the sections of the statute added by the 2025 amendment. These definitions include "hospital," "hospital system," and "originally entered into."

Importantly, the 2025 amendment defines the term "noncompete agreement." The intended meaning of that term has been a lingering question since 2020 (and remains a question with respect to agreements falling under the 2020 and 2023 frameworks). A "noncompete agreement" under the 2025 amendment is:

a contract, or any part of a contract, to which a physician is a party that has the purpose or effect of restricting or penalizing a physician's ability to engage in the practice of medicine in any geographic area, for any period of time, after the physician's employment relationship with a hospital, a parent company of a hospital, an affiliated manager of a hospital, or a hospital system has ended.

The definition continues with specific examples, stating that the term includes provisions that do the following:

- Prohibits the physician from engaging in the practice of medicine with a new employer.
- Imposes financial penalties or repayment obligations, or requires reimbursement of bonuses, training expenses, or similar payments if: (1) the physician has been employed by a hospital, parent company of a hospital, affiliated manager of a hospital, or a hospital system for at least three years; and (2) these penalties, obligations, or reimbursements are based primarily on the physician's decision to continue engaging in the practice of medicine with a new employer.
- Requires the physician to obtain the employer's consent or submit to equitable relief in order to practice medicine with a new employer, regardless of geographic area or specialty.

A "noncompete agreement" does not include the following:

- Nondisclosure agreements protecting confidential business information or trade secrets.
- Non-solicitation agreements prohibiting the solicitation of current employees for a period not exceeding one year after the end of the physician's employment, provided that the non-solicitation agreement does not restrict patient interactions,

- patient referrals, clinical collaboration, or the physician's professional relationships.
- Agreements made in connection with the bona fide sale of a business entity if the physician owns more than 50 percent of the business entity at the time of sale.

Moving Forward

The 2025 amendment to the Physician Non-Compete Statute creates a fourth separate framework for determining whether a physician non-compete agreement is enforceable in Indiana. Portions of the four frameworks overlap, and Indiana courts could borrow or find persuasive the 2025 amendment's defined terms when assessing the original portions of the statute or the 2023 amendment.

Employers with physician non-compete agreements must refer to the agreement's original execution date, the physician's practice, and whether the employer is a hospital or hospital-related entity to determine which framework controls.

Hospitals and hospital-related entities employing physicians in Indiana should immediately assess how the new amendment affects their protections against unfair competition and develop a plan for employment contracts and employee retention.

Contact a Jackson Lewis attorney to assess your current strategies or for assistance in updating them.

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