

# Texas SB 1318 Tightens Physician Non-Compete Rules, Extends Restrictions to Other Healthcare Practitioners

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## Takeaways

- More stringent requirements for physician non-compete agreements, including a five-mile geographic limit and a one-year duration cap, will take effect 09.01.25.
- Non-compete buyouts for physicians are capped at the physician's total annual salary and wages at termination.
- New restrictions apply to non-compete agreements with dentists, nurses, and physician assistants.

## Related link

- [Texas SB 1318](#) (bill)

## Article

Texas Governor Greg Abbott has signed a bill that imposes more limitations on employers' covenants not to compete with physicians and extends similar restrictions to agreements with other healthcare practitioners, including dentists, nurses, and physician assistants. The new law goes into effect Sept. 1, 2025, and applies to non-compete agreements entered or renewed on or after its effective date.

[Senate Bill 1318](#) (SB 1318) amends Sections 15.50 and 15.52 of the Texas Business and Commerce Code. The amendment affects healthcare employers by narrowing the scope of enforceable non-compete provisions and enhancing physician mobility.

## Key Changes to Physician Non-Compete Agreements

SB 1318 updates the criteria for enforceable non-compete agreements with physicians licensed by the Texas Medical Board. It also clarifies that the practice of medicine does not include managing or directing medical services in an administrative capacity for a medical practice or other healthcare practitioner.

SB 1318 introduces specific limitations for non-compete agreements:

- *Geographic scope restriction:* Non-compete agreements must limit the restricted area to a five-mile radius from the physician's primary practice location at the time of termination.
- *Temporal limitation:* Non-compete restrictions must expire no later than one year after termination of the physician's contract or employment.
- *Buyout cap:* The buyout provision, which allows a physician to pay to be released from

the non-compete, is capped at the physician's total annual salary and wages at the time of termination. This replaces the previous "reasonable price" standard and eliminates the option for arbitration to determine the buyout amount.

- *Clear writing:* The terms and conditions of the agreement must be stated clearly and conspicuously in writing.
- *Termination without good cause:* If a physician is terminated without "good cause" (defined as a reasonable basis related to the physician's conduct, job performance, or contract record), the non-compete becomes void and unenforceable.

## Restrictions for Other Healthcare Practitioners

SB 1318 introduces Section 15.501, extending non-compete restrictions to healthcare practitioners licensed to practice as a:

- Dentist;
- Professional or vocational nurse; or
- Physician assistant.

Previously, it was unclear whether the restrictions applied to healthcare professionals other than doctors.

The criteria for enforceable non-compete agreements with dentists, nurses, and physician assistants are similar to those for physicians.

## Action Steps for Employers

To comply with SB 1318, healthcare employers should take proactive steps to update their agreements. Employers should consider the following:

- Review form agreements to ensure they comply with the new geographic, temporal, and buyout requirements for new agreements or renewals after Sept. 1, 2025.
- For practitioners working at multiple locations or remotely, clearly document the "primary practice location" in contracts to avoid disputes over the five-mile radius restriction.
- Ensure all agreements clearly and conspicuously state the terms and conditions in writing, including the five-mile geographic limit, one-year duration, and buyout cap.
- Establish clear protocols for documenting terminations, particularly to demonstrate "good cause" when applicable, to avoid the risk that the restrictions are void and unenforceable.

SB 1318 aligns with a growing trend across states to limit non-compete agreements in healthcare to balance employers' business interests, practitioners' mobility, and patients' access to care. Employers should act promptly to ensure compliance and minimize litigation risks.

For assistance with reviewing or updating non-compete agreements or addressing compliance with SB 1318, please contact your Jackson Lewis attorney.

(Summer Associate Neil Vyas contributed to this article.)

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