CLIENT ALERTS & INSIGHTS

# Significant Restrictions on Texas Healthcare Non-Competes Signed into Law

## Benesch Healthcare+ Update

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On June 20, 2025, Texas Governor Greg Abbott signed into law Senate Bill 1318 (SB 1318), enacting sweeping new restrictions on non-compete agreements applicable to physicians and, for the first time, extending similar limitations to dentists, nurses (including APRNs, RNs, and LVNs), and physician assistants. The law takes effect **September 1, 2025**, and applies to any non-compete agreement entered into or renewed on or after that date. The new law does not apply to any agreement entered into before September 1st.

SB 1318 materially amends Section 15.50 of the Texas Business and Commerce Code and introduces a new Section 15.501, imposing strict caps on duration, geography, and buyout amount for covered non-compete provisions. The law also reinforces Texas's long-standing policy that non-competes must not unreasonably restrict a healthcare provider's ability to practice, and it preempts any contrary common law or contractual terms.

A full copy of the enrolled bill can be found here: SB 1318 Text - Texas Legislature Online

**Key Provisions for Physicians**

The revised statute retains Texas's general framework that a physician non-compete is enforceable only if it is ancillary to an otherwise enforceable agreement and satisfies "reasonableness" standards. SB 1318 significantly limits what will now be deemed "reasonable" for physician non-compete agreements.

Effective for covered agreements after September 1, 2025, physician non-competes must:

1. Be limited to one year in duration after the date of termination or separation;
2. Be geographically limited to five (5) miles from the physician's primary practice location at the time of termination;
3. Include a buyout right, with the buyout capped at the physician's total annual salary and wages at the time of termination;
4. Not prohibit the physician from continuing care for a specific patient during the course of an acute illness, even after separation;

5. Not restrict administrative or non-clinical roles, unless the provision also limits the physician's clinical practice;
6. Not restrict access to patient lists or medical records, provided patient authorization is obtained and disclosure is consistent with HIPAA and TMB rules.

The law defines "good cause" for termination as a reasonable basis related to the physician's conduct, job performance, or contractual record. If a physician is terminated without good cause, the non-compete is automatically rendered void and unenforceable, regardless of its other terms.

**Expanded Protections for Other Healthcare Practitioners**

SB 1318 also introduces an entirely new statutory section - Section 15.501 - which applies similar restrictions to non-physician healthcare providers, including:

- Dentists licensed under the State Board of Dental Examiners;
- Nurses, including licensed vocational nurses (LVNs), registered nurses (RNs), and advanced practice registered nurses (APRNs);
- Physician Assistants licensed under Chapter 204 of the Texas Occupations Code.

Under Section 15.501, a non-compete provision involving one of these providers is not enforceable unless it:

1. Expires within one year of the provider's termination;
2. Applies to a geographic radius of five (5) miles from the provider's primary location;
3. Includes a buyout option capped at the provider's total annual salary and wages at the time of separation.

The statute makes clear that these limits only apply to provisions "relating to the healthcare practitioner's healthcare practice," and not to unrelated business or administrative roles. Accordingly, managing director and other administrative roles for running a practice are not covered by the new statute and can be subject to noncompete agreements. In addition, and in contrast to physician-specific rules, there is no requirement for continuing care during acute illness or access to patient records for non-physician providers.

**Impact on Non-Solicitation Provisions**

The Texas Covenants Not to Compete Act also governs non-solicitation provisions, meaning that SB 1318's restrictions extend to non-solicitation of patients, referral sources, and vendors if such provisions are tied to the practitioner's healthcare practice. Employers should review any customer or patient non-solicitation clauses for compliance, as these will also be subject to the revised framework.

**Scope and Applicability**

SB 1318's changes apply only to non-compete agreements entered into or renewed on or after September 1, 2025. Agreements in effect prior to that date remain governed by the previous version of the statute.

Importantly, ownership interests are not affected. The new restrictions do not apply to equity holders in a medical, dental, or healthcare practice - only to employment or independent contractor agreements related to the delivery of care. However, practitioners with evergreen employment agreements or those up for renewal or amendment after September 1, 2025 will need to ensure full compliance at the time of renewal.

**Strategic Considerations and Next Steps**

Healthcare organizations with employed or contracted physicians, dentists, nurses, or physician assistants should:

- Conduct an inventory of all non-compete and non-solicitation provisions for covered professionals;
- Review for evergreen clauses that may trigger applicability upon renewal;
- Revise standard agreement templates to ensure conformity with SB 1318's temporal, geographic, and financial limits;
- Assess administrative vs. clinical functions to determine whether a non-clinical restriction falls outside the statute's scope;
- Evaluate buyout terms and structure them to align with fixed or annualized compensation definitions, especially for providers paid based on collections.

Employers/Practices who fail to update their contracts risk losing the ability to enforce non-compete protections, even in markets where continuity of care or competitive dynamics remain critical.

**Conclusion**

Texas SB 1318 represents a major recalibration of post-employment restrictions in the healthcare sector, increasing provider mobility and reducing the enforceability of many common contractual provisions. While intended to improve patient access, these changes will also force employers and practices to rethink how they structure long-term engagement strategies and protect legitimate business interests. With implementation looming on September 1, 2025, now is the time to act.

The Benesch Healthcare+ team continues to monitor legal and regulatory developments affecting physician employment and healthcare transactions in Texas and nationwide. Please contact the authors of this article if you have questions about the implications of SB 1318 or would like assistance with structuring compliant employment agreements, evaluating existing non-compete provisions, or aligning your contracting strategies with the new legal landscape.

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