

BILL ANALYSIS: HB 4504/SB 1318

Relating to restrictions on covenants not to compete for physicians and certain healthcare practitioners.

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ISSUE

Physician non-compete agreements are ubiquitous among physicians in Texas and the United States, with as many as 45% of American physicians bound by the agreements ([Robeznieks, 2023](#)). Non-competes are agreements that are ancillary to or part of an otherwise enforceable agreement between two parties. In healthcare, non-compete agreements impose temporal and geographic restrictions upon physicians, defining when and where they can work after departure from their employer. Texas Business and Commerce Code Section 15.50(b) identifies necessary features of enforceable physician non-compete agreements, requiring that the agreements: 1) do not prevent physicians access to a patient list, 2) allow physicians to have continued access to patient records, 3) provide for a “reasonable” buyout, and 4) do not prohibit a physician from continuing to provide care to a patient with an acute condition. Despite these statutory requirements for physician non-compete agreements, temporal and geographic restrictions may be burdensome and buyout fees may be so egregiously high that, alongside moving costs, physicians may be dissuaded from making career transitions that would allow them to establish new practices to foster innovation and competition or to independently practice in one of 129 counties containing medically underserved areas.

While non-compete agreements in healthcare are often justified as means to protect provider system intellectual property or to insulate physicians from poaching by market competitors, both intellectual property law and human capital investment in physician retention are viable alternatives to achieving these goals ([Alderman & Blair, 2024](#)). Further, non-compete agreements have anticompetitive effects that harm both market competition and patients. By restraining physician labor mobility, provider systems can establish or reinforce both their service monopoly (“single-seller”) and employment monopsony (“single-buyer” of employers) status in a market, thereby allowing for them to freely raise prices for services and suppress physician salaries ([Fox, 2023](#); [Lobel, 2020](#)). If departing physicians abide by non-competes and are compelled to relocate an unreasonable distance and abstain from practicing in an area for an extended period, patient-physician relationships may be severed, ultimately leading to poor health outcomes ([Sabety, 2022](#); [Sherman et al., 2022](#)). As research indicates, if non-competes are restricted, then not only do wages increase in relevant industries, but also access to quality and affordable increases ([Balasubramanian et al., 2020](#); [Balasubramanian et al., 2021](#)). 71% of Texans indicate they support prohibitions on non-competes ([Phillips, 2025](#)).

continued

By amending current statute relating to physician non-competes, S.B. 1318/H.B. 4504 neuters the potential for non-compete agreements to both restrain physician labor mobility and eviscerate patient-physician relationships.

No entity is delegated novel rulemaking authority by this bill.

SECTION BY SECTION ANALYSIS

SECTION 1.

Modifies sections 15.50(a) and (b) of the Business and Commerce Code.

- (a)** Reinforces that non-compete agreements are enforceable agreements if they are ancillary to or part of an otherwise enforceable agreement and are characterized by reasonable temporal, geographic, and scope of activity restrictions and necessarily do not impose greater restraints than necessary to protect the business interest of the promisee.
- (b)** A non-compete is enforceable against a physician licensed by the Texas Medical Board IF it adheres to the follow requirements:
 - (1)** The covenant must...
 - (A)** Requires that agreements do not deny a physician a list of patients seen or treated within one year of termination. *Non substantive modification: diction.*
 - (B)** Requires that agreements do not deny physicians access to medical records of patients upon authorization of access.
 - (C)** Requires that any access to patient lists post-termination of employment are not provided to the physician in any format different than ordinary unless agreed upon by mutual consent.
 - (2)** A non-compete must provide for a buyout that is no greater than the physician's total annual salary and wages at the time of termination. *Substantive modification: eliminates "reasonable" buyout determined mutually or by arbitration, introduces annual salary and wages buy out maximum. Non substantive modification: diction.*
 - (3)** Requires that covenants do not prohibit physicians from continuing care to patient or patients with acute illness even after termination. *Non-substantive modification: diction, to introduce new requirements for non-compete agreements.*
 - (4)** The covenant must:
 - (A)** Expire no later than the one-year anniversary of the date of contract or termination of employment. *Substantive modification: Requires that temporal restrictions of non-compete agreements do not exceed more than one year.*
 - (B)** Limit geographic restrictions to an area no more than a five-mile radius. *Substantive modification: Requires geographic restrictions do not exceed more than five miles.*

SECTION 2.

Amends subchapter E, Chapter 15, Business & Commerce Code by adding Section 15.501:

SEC. 15.501: COVENANT NOT TO COMPETE AGAINST HEALTHCARE PRACTITIONERS. *Substantive modification: Extends requirements for enforceable non-compete agreements to healthcare practitioners besides physicians.*

(a) Definition of healthcare practitioner includes:

- (1)** A person licensed by the State Board of Dental Examiners to practice dentistry.
- (2)** A person licensed under Chapter 301, Occup. Code. to engage in professional or vocational nursing.
- (3)** A physician assistant licensed under Chapter 204, Occup. Code.

(b) A covenant not to compete against a healthcare practitioner is not enforceable unless:

- (1)** It provides for a buyout that is no greater than the practitioner's total annual salary and wages at the time of termination.
- (2)** It expires no later than the one-year anniversary of the date of contract or termination of employment.
- (3)** It limits geographic restrictions to an area no more than a five-mile radius.

SECTION 3.

Amends Section 15.52, Business & Commerce Code:

Section 15.52: Sections 15.50 and 15.501 preempt other laws, including common law, as it relates to the governance of non-compete agreements. *Substantive modification: Removes existing text that indicates Section 15.51 preempts any common law and extends preemption to other law, including common law.*

SECTION 4.

Renders the Act prospective.

SECTION 5.

If passed, the Act goes into effect on September 1, 2025.

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