

Texas Noncompete Law for Physicians, Healthcare Workers Takes Effect September 2025

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As previously noted [here](#), a sweeping change to Texas noncompete law is coming Sept. 1, 2025, reshaping employment agreements for physicians and other healthcare practitioners. Texas Senate Bill 1318 adds to the existing requirements for physician noncompete agreements under Section 15.50 of the Texas Business and Commerce Code and, for the first time, extends these requirements to noncompetes with other types of healthcare practitioners. The law will apply to any covenants that parties enter into or renew on or after Sept. 1, 2025.

Expansion to Other Healthcare Practitioners and New Requirements

The recently enacted bill introduces new requirements and extends many of them to noncompete agreements with other “healthcare practitioners.” The law defines “healthcare practitioners” as state-licensed dentists, professional and vocational nurses, and physician assistants. Employers must review and update agreements entered into or renewed on or after Sept. 1, 2025, to ensure that noncompetes with physicians and these other practitioners include the following:

- A buyout cap that allows a physician to pay to be released from the noncompete and that must not exceed the employee’s total annual salary and wages at the time of termination.
- A geographic scope limited to a five-mile radius from the location where the employee primarily practiced.
- An effective period that does not exceed one year after the employee’s termination.
- All terms and conditions clearly and conspicuously stated in writing.

Additional Requirements for Physician Noncompetes

SB 1318 introduces a new rule voiding noncompete agreements when a physician is involuntarily discharged *without* “good cause.” The statute defines “good cause” as a “reasonable basis for discharge of a physician from contract or employment that is directly related to the physician’s conduct, including the physician’s conduct on the job or otherwise, job performance, and contract or employment record”. If a physician is terminated without good cause, the noncompete will then be considered void and unenforceable.

Scope and Exceptions

The heightened requirements for physician and healthcare practitioner noncompetes apply only to the practice of medicine. The recent amendments create a specific exception for noncompetes that relate solely to “managing or directing medical services in an administrative capacity.” The new requirements will not apply to physicians or healthcare practitioners who serve solely in administrative roles. These administrative activities are still governed by the broader noncompete rules in Section 15.50(a) that apply to all employees.

Effective Sept. 1, 2025, SB 1318 will impose buyout caps, geographic and time limits, voidance provisions and written agreement requirements on noncompetes for physicians and certain healthcare practitioners. Healthcare employers should review and audit their current noncompete agreements and draft future agreements to ensure compliance with the new law. Please contact your Haynes Boone attorneys if you need assistance reviewing your existing noncompete agreements or implementing new agreements.

Summer Associate Aydin Karasapan contributed to this article. Aydin is not yet licensed to practice law.