

Indiana Lawmakers Pass Bill Prohibiting Noncompete Agreements Between Hospitals and Physicians

Article

Amundsen Davis Health Care Alert

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When Indiana's 2025 legislative session concluded on April 25, bills with significant implications for hospitals were approved. This alert addresses one of those bills—Senate Enrolled Act 475 (SEA 475)—which prohibits hospitals from entering noncompete agreements with *any* type of physician beginning July 1, 2025. (IC 25-22.5-5.5-1.4) The provision does not apply to noncompete agreements originally entered before that date.

SEA 475 expands the traditional definition of a noncompete agreement to include contractual provisions that impose financial penalties, repayment obligations, or require reimbursement of bonuses, training expenses, or similar payments, when applied to physicians who have been **employed by a hospital for at least three years**. This means that after a physician reaches the three-year employment threshold, a hospital may not enforce financial clauses that discourage the physician from terminating the employment relationship. Prior to the three-year mark, such financial terms may still be enforced.

The impact of SEA 475 is that hospitals may not restrict physicians from practicing medicine within the same geographic area after they leave employment with the hospital. However, in addition to the repayment clauses mentioned above, SEA 475 specifically allows hospitals to protect their interests through:

- **Non-solicitation clauses** prohibiting solicitation of current employees for **one year**; and
- **Nondisclosure agreements** protecting confidential business information or trade secrets.

SEA 475 builds upon the limitations on physician noncompete agreements enacted in Indiana in 2020. Those provisions still apply and prohibit noncompete agreements between any employer (not just hospitals) and primary care physicians (defined as physicians practicing in family medicine, general pediatric medicine, or internal medicine). (IC 25-22.5-5.5-2.5) They also impose certain

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requirements on noncompete agreements with all other physician specialties regarding patient notices, providing physician contact information, access to patient medical records and buyout provisions.

Since July 1, 2023, physician noncompete agreements are not enforceable in Indiana if the employer terminates the physician's employment without cause, the physician terminates the physician's employment for cause, or the physician's employment contract has expired and the physician and employer have fulfilled the obligations of the contract. (IC 25-22.5-5.5-2)

Takeaways

In light of the requirements of SEA 475, hospitals must make sure that physician contracts entered on or after July 1, 2025, do not contain traditional noncompete provisions. Any clauses that require repayment of bonuses, training expenses, or penalties after three years must be revised to comply with the new law. Finally, hospitals should add the allowable non-solicitation and non-disclosure provisions. Qualified health care and employment counsel can assist in navigating these legislative changes.

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