Health Care Noncompete Agreements: The FTC Is Watching

Labor & Employment Law Update

By Suzannah Wilson Overholt on November 4, 2025

Although the Federal Trade Commission (FTC) has vacated its rule banning noncompete agreements nationwide, the FTC continues to scrutinize such agreements and is focusing on the health care setting.

Indeed, in September FTC Chairman Andrew N. Ferguson sent letters to several large health care employers and staffing firms urging them to conduct a comprehensive review of their employment agreements—including any noncompetes or other restrictive agreements—to ensure they are appropriately tailored and comply with the law.

According to the FTC, enforcement against unreasonable noncompetes is a top priority of the FTC. The basis for the FTC's review of noncompetes is the impact such agreements may have on competition.

The FTC's approach overlays recently passed state laws limiting noncompetes in the health care context. The majority of states restrict the use of noncompetes in some manner while about a handful ban them entirely.

As we mentioned earlier this year, Illinois restricts the use of noncompete and nonsolicitation agreements with licensed mental health professionals if they are providing certain services to veterans and first responders if enforcing the agreement would result in increased costs or difficulty for any veteran or first responder seeking mental health services.

The law defines "first responders" as "any person currently or formerly employed as emergency medical services personnel, firefighters, and law enforcement officers." This law is in addition to Illinois's existing requirement that noncompetes may only be used for employees making more than $75,000 annually.

As we also mentioned in April, Indiana now bans noncompete agreements between a physician and a hospital, a parent company of a hospital, an affiliated manager of a hospital, or a hospital system. The law applies to agreements entered into on or after July 1, 2025.

That prohibition is in addition to existing restrictions against noncompetes with primary care physicians and requirements for provisions of permissible physician noncompete agreements. Missouri, Ohio, and Wisconsin do not have laws specifically addressing noncompetes with physicians or others in the health care industry, but they do have statutes imposing requirements on noncompetes generally.

The FTC's actions indicate that health care entities that are in the habit of having employees, especially licensed staff, sign noncompete agreements should review those agreements to ensure they are reasonable under the applicable state's law. Generally such agreements must be reasonable in terms of the duration (how long the agreement is in effect), scope (the conduct that is restricted), and geographic area (the area from which the individual is restricted).

Such agreements in the health care context should be narrowly tailored so that a court will conclude the agreement is protecting the health care entity's legitimate business interests and does not unreasonably compromise patients' access to care.