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New Texas Law Will Significantly Reshape Non-Competes in Healthcare: What Employers and Providers Need to Know About SB 1318

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Texas has enacted Senate Bill 1318 (SB 1318), which brings major changes to the state's noncompete for healthcare professionals. **Effective September 1, 2025**, the new law extends protections that once applied only to physicians to a broader set of licensed providers. While the goal is to increase mobility for healthcare workers, employers who rely on non-competes will need to take a fresh look at their agreements and retention strategies.

Who's covered—and who's not

SB 1318 applies to non-competes with physicians, dentists, physician assistants, and nurses (including advanced practice nurses). These agreements will now be subject to stricter rules regarding buyout rights, scope, and enforceability.

Excluded from the new requirements are podiatrists, non-clinical administrators, and physicians who serve solely in administrative or leadership roles. The law also applies only to agreements signed or renewed on or after September 1, 2025, though courts may look to these new standards when assessing fairness in existing agreements.

What's changing?

For covered providers, SB 1318 imposes the following restrictions:

Buyout requirement with cap: All non-competes must include a clear and conspicuous buyout clause. The provider must have the option to void the restriction by paying an amount no greater than their annual salary and wages at the time of termination. This replaces the older "reasonable amount" standard.

Tighter duration and geographic limits: The restriction can last no more than one year, and it must be limited to a five-mile radius from the provider's primary practice location.

Void if terminated without cause (physicians only): If a physician is terminated without good cause, the noncompete is void. Employers should maintain documentation supporting any termination decisions.

Clarity and presentation: Terms must be clearly stated in writing and conspicuous within the agreement. Ambiguities may lead to the entire provision being unenforceable.

Implications for employers and providers

Employers will have less room to restrict competition from departing providers, and more agreements may be subject to legal challenge if they're poorly drafted. At the same time, providers will find it easier to transition to new roles, including joining nearby practices.

The law introduces new considerations for how practices manage patient relationships and workforce stability. To adapt, employers should consider new approaches to retention and business protection that don't rely solely on restrictive covenants.

What employers should do now

Audit existing agreements: Identify any contracts that may be renewed after September 1, 2025, and prepare new templates that comply with SB 1318.

Revise future agreements: Include capped buyout clauses, limit the duration and geographic scope, and make sure every term is clearly presented.

Strengthen noncompete alternatives: Consider other contractual tools that can help protect your organization without running afoul of the new law:
Training repayment provisions: Recoup costs for certifications or onboarding if an employee leaves early.

Retention bonuses with forgiveness terms: Encourage loyalty through financial incentives with fair clawback provisions.

Non-solicitation clauses: Prevent direct recruitment of your patients or staff.

Non-disclosure agreements (NDAs): Protect proprietary and confidential business data.

Continuity of care clauses: Require reasonable efforts to ensure smooth patient transitions.

IP and patient data ownership terms: Clarify who owns data and work product after separation.

Team-based care models: Build patient relationships around your organization, not individual providers.

Invest in workplace culture: Reduce turnover risk by creating a rewarding, flexible, and supportive work environment.

What this means to you

Whether you're an employer looking to protect your business or a provider considering your next move, SB 1318 will require thoughtful adjustments. The law doesn't eliminate non-competes—but it does narrow their reach and raise the stakes for getting them right.

Contact us

If you'd like help with preparing compliant agreements or developing alternative retention strategies, our Healthcare Labor & Employment team is ready to assist.