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Insights

The End of Physician Noncompetes in Indiana Hospitals: A Look into Indiana Senate Enrolled Act No. 475

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In a significant development for healthcare employment law, Indiana's Senate Enrolled Act No. 475 ("SEA 475") broadens existing restrictions on physician noncompete agreements to include nearly all physician types—not just primary care providers. Building on Senate Enrolled Act No. 7, which took effect in 2023 and limited noncompetes for primary care physicians, SEA 475 expands those protections to all physicians across all specialties when employed by hospitals or hospital-affiliated entities.

This new law reflects a broader legislative trend focused on promoting physician mobility and improving patient access to care, while raising important compliance considerations for hospitals, health systems, and their legal teams. Here's a breakdown of what SEA 475 changes, who it covers, and its potential impact on physician employment contracts across Indiana.

1. Who Is Covered by the Ban?

SEA 475 applies to physicians as defined under Indiana Code § 25-22.5-1-1.1(a)(1) and (a)(2), which broadly includes individuals licensed to practice medicine or osteopathic medicine in Indiana. Importantly, the law does not apply to executives or managers who do not engage in direct patient care.

2. What Entities Are Subject to the Restriction?

The noncompete ban applies only to agreements between physicians and the following types of healthcare entities:

- Hospitals, as defined by IC 16-18-2-179(b)
- Parent companies of hospitals
- Affiliated managers of hospitals
- Hospital systems, defined as either:
  - A parent corporation of at least one hospital and its affiliated entities, or
  - A hospital and its affiliated entities through ownership, governance, or membership

This definition limits the reach of SEA 475 to institutionally connected healthcare organizations, particularly those that operate as part of a hospital or hospital system. Private practices, independent physician groups, and non-hospital employers are not directly covered by the law.

3. What Agreements Are Prohibited?

SEA 475 voids any noncompete agreement—or provision within a contract—that restricts a physician's ability to practice medicine after separation from a covered hospital entity. Specifically, the law prohibits clauses that:

- Ban a physician from practicing with a new employer
- Impose financial penalties or repayment obligations solely due to the physician's decision to work elsewhere
- Require consent or equitable relief to allow post-employment medical practice
- Impose indirect barriers that deter continued medical practice after separation

4. What Is Still Permitted?

SEA 475 does not prohibit the following types of agreements:

- Nondisclosure agreements to protect confidential business information or trade secrets;
- Nonsolicitation of employee agreements, so long as they are under one year following employment separation and do not interfere with patient care, patient referrals, or professional and clinical collaborations; and
- Noncompete clauses tied to the sale of a business, where the physician owned more than 50% of the entity being sold.

5. Key Limitations and Effective Date

The ban applies only to agreements originally entered into on or after July 1, 2025. And, existing agreements are not automatically void. Amending or renewing a pre-2025 agreement does not restart the clock to make it fall under SEA 475. The original date of execution will control.

6. Next Steps

For hospital employers, SEA 475 presents both compliance challenges and the need for directional shifts. Employment contracts may need to be revised, and retention strategies may need to pivot from legal restrictions to purposeful engagement such as competitive compensation, workplace culture, or career growth opportunities.

If you are a physician, hospital, or other healthcare entity potentially affected by this new law, please contact Marsha Jean-Baptiste or Scott S. Morrisson.

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