



NONCOMPETE AGREEMENT FAQ

WHAT IS A NONCOMPETE AGREEMENT AND HOW DOES IT IMPACT MY ABILITY TO PRACTICE?

Answer: Most noncompete agreements ban you from working elsewhere as a physician providing similar services within a certain geographic area and for a specific period. The term can include both outright prohibitions and indirect restrictions. Indirect restrictions include financial penalties, repayment obligations, employer consent requirements, and other provisions designed to restrict a physician's practice.

ARE NONCOMPETE AGREEMENTS BANNED FOR CERTAIN SPECIALTIES IN INDIANA?

Answer: Yes. Beginning with agreements signed on or after July 1, 2023, noncompete agreements are specifically banned for "primary care" physicians. Primary care is defined to include family medicine, general pediatric medicine and internal medicine. While other specialties are not covered by the "primary care" ban, they may fall under other noncompete bans — depending on the timing of the agreement and the identity of the employer.

ARE NONCOMPETE AGREEMENTS BANNED FOR CERTAIN EMPLOYERS IN INDIANA?

Answer: Yes. For agreements entered into on or after July 1, 2025, regardless of specialty, noncompete agreements are banned for: (1) hospitals; (2) parent companies of hospitals; (3) affiliated managers of a hospital; (4) and health systems. "Health systems" are defined as any entity that shares ownership, governance or membership with a hospital or hospital parent company. The term "affiliated managers of a hospital" is not defined in the legislation, and its full scope will not be known until interpreted by the courts.

HOW DOES THE DATE OF MY INDIANA EMPLOYMENT CONTRACT AFFECT A NONCOMPETE AGREEMENT?

Answer: The date is important. For contracts entered into on or after July 1, 2025, noncompete agreements are banned for physicians employed by hospitals, health systems, and their affiliated employers — regardless of specialty. For contracts entered into on or after July 1, 2023, they are banned for primary care physicians — regardless of the type of employer. For contracts signed before those dates, the general rules regarding noncompete agreements apply — some are enforceable, and others may not be. If a contract entered into before July 1, 2023, or July 1, 2025 (as applicable), contains a noncompete agreement, renewals or extensions may still include noncompete provisions without violating the ban.

MY EXISTING CONTRACT CONTAINS A NONCOMPETE AGREEMENT. CAN I REMOVE IT?

Answer: Indiana's 2023 and 2025 legislation did not invalidate pre-existing noncompete agreements. Those agreements remain binding, and there is no automatic right to remove a noncompete provision. However, parties may amend an agreement if they mutually agree to do so.

MY EMPLOYER SAYS I CAN BE BOUND TO A REPAYMENT AGREEMENT FOR THE FIRST THREE YEARS OF EMPLOYMENT. IS THAT TRUE?

Answer: Yes, with limitations. For agreements entered into on or after July 1, 2025, provisions requiring repayment of training expenses, bonuses, or other amounts are considered a form of prohibited noncompete agreement. Such repayment provisions may, however, be enforceable during the first three years of employment. For agreements signed before July 1, 2025, a repayment provision may be enforceable depending on the language of the agreement.

I AM NOT COVERED BY THE NEW PRIMARY CARE OR HOSPITAL-FOCUSED BANS ON INDIANA NONCOMPETE AGREEMENTS. ARE THERE CIRCUMSTANCES UNDER WHICH AN EXISTING NONCOMPETE CAN BE INVALIDATED?

Answer: Yes. To be enforceable in Indiana, a noncompete agreement must meet several requirements. These include a reasonable time limit, geographic scope and activity restriction, and a legitimate protectable interest by the employer. Further, to be valid, all non-competes must include specific provisions for patient notices, ongoing access to patient records, and reasonable noncompete buyout amounts. Noncompete agreements entered into on or after (and possibly before) July 1, 2023 — regardless of specialty — may be invalidated to the extent: (1) the contract naturally expired; (2) the employer terminated the employment without cause; or (3) the physician terminated the employment for cause.

I WAS NOT AWARE OF MY NONCOMPETE WHEN I SIGNED MY CONTRACT, DOES THAT GET ME OUT OF THE AGREEMENT?

Answer: Generally, no. Indiana law does not excuse individuals who sign a contract without reading or understanding it.

HOW DO I KNOW IF MY EMPLOYER CAN BIND ME TO A NONCOMPETE AGREEMENT??

Answer: Yes. We suggest consulting with a qualified attorney to determine whether your employer can bind you to a noncompete agreement or whether your existing agreement is enforceable.

The above should not be construed as legal advice or a legal opinion on any specific facts or circumstances. This content is intended for general informational purposes only. You may wish to consult your own attorney regarding your specific situation and legal questions. ISMA thanks Scott Morrisson, JD and Krieg DeVault LLP for their assistance in preparing this document.

