

Louisiana Limits Non-Compete Agreements for Physicians

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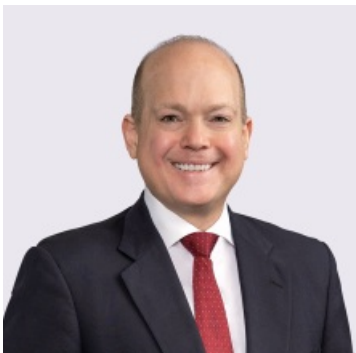


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Following the national trend toward prohibiting or limiting non-compete agreements, Louisiana Senate Bill 165 limits the length and geographical scope of non-compete agreements for both specialty and primary care physicians. The law goes into effect on Jan. 1, 2025.

Under Senate Bill 165, non-compete agreements for physicians must expire three years or five years from the effective date of the initial contract or agreement. Non-compete agreements for primary care physicians must expire within three years from the effective date of the initial contract or agreement. A “primary care physician” is defined as any physician who predominately practices in the areas of family medicine, internal medicine, pediatrics, obstetrics, or gynecology. Non-compete agreements for physicians who do not meet the definition of primary care physician must expire within five years from the effective date of the original contract or agreement.

Senate Bill 165 also limits the geographic scope of these non-compete agreements. The non-compete agreement may only cover the parish where “the physician’s principal practice is located” and any “two contiguous parishes in which the employer carries on a like business.”

Exemptions

Not all employers will be affected by these changes. The law carves out two exemptions for qualifying employers:

- Rural hospitals as defined under Louisiana law.
- Hospitals that operate in medically underserved areas and rural parishes.

Previous Law

The new law is a departure from the general provisions of Louisiana Revised Statutes section 23:921 that historically governed non-compete agreements for healthcare professionals. These statutes were silent on the length of a non-compete agreement entered into during a physician’s employment. With respect to geographical scope, the limitations applied in any parish specified in the agreement if the employer conducted a like business there.

Takeaways for Employers

Employers using non-compete agreements should be mindful of these changes as both the temporal and geographic restrictions will apply to their existing and future non-compete provisions.

Louisiana employers should consider the following:

1. Whether to shorten the time frame in existing non-compete agreements for

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healthcare physicians and covered employers;

2. Whether to restructure current non-compete agreements to comply with the new law;
3. How the new law may affect physician recruiting and hiring; and
4. Whether they qualify for an exemption under Louisiana law.

Jackson Lewis attorneys are available to discuss the new law and to assist with reviewing and revising restrictive covenant agreements.