

2023/2024 PAMED LEGISLATIVE PRIORITIES

Noncompete Clauses/ Restrictive Covenants

The Pennsylvania Medical Society (PAMED) supports reasonable limitations on restrictive covenants in physician contracts. Restrictive covenants, sometimes referred to as noncompete agreements, often live within an employment contract. These clauses are designed to restrict a physician's ability to leave an employer and work for a competitor or other medical facility. PAMED believes this interferes with patient care as it limits the opportunity for access to their physician based on distance if they should leave their practice.

PAMED has supported previous legislation on restrictive covenants that aims to prohibit their use in health care practitioner employment contracts, with limited exceptions. The bill allowed for the freedom of movement among employed health care practitioners while protecting health care employers in less densely populated areas who have more difficulty attracting and retaining practitioners.

Key Items:

- Restrictive covenants in employee contracts limit where physicians can practice after leaving their current employer.
 - As larger health systems grow into specific regions, these clauses can have a greater mile radius on where physicians are able to practice and for a certain number of years.
 - This can affect the patient/physician relationship in how far a patient is willing or able to travel to see their physician. For patients this can be both clinically and emotionally disruptive.
- Early 2023, the Federal Trade Commission proposed a rule that would ban employers from imposing noncompete clauses on their workers. The initial draft of the proposal seems to ban non-profits, including hospital systems.



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