

## HB 3227 STAFF MEASURE SUMMARY

### House Committee On Behavioral Health and Health Care

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**Meeting Dates:** 3/27, 4/3

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#### WHAT THE MEASURE DOES:

The measure makes noncompetition agreements, nondisclosure agreements, nondisparagement agreements, and nonsolicitation agreements between specified individuals and corporate entities and health professional licensees void and unenforceable with specified exceptions. Takes effect on 91st day following adjournment sine die.

#### Detailed Summary:

- Defines terms, including "disciplinary action," "management services organization (MSO)," "medical purpose," "noncompetition agreement," "nondisclosure agreement," "nondisparagement agreement," "nonsolicitation agreement," "professional medical entity," and "termination agreement."
- **Noncompetition Agreements**
  - Makes noncompetition agreements generally void and unenforceable.
  - Creates exceptions for noncompetition agreements that are:
    - Between a licensee and a person executed in connection with a sale of a professional medical entity that is under contract with an MSO and at the time of the sale the licensee controlled at least 10 percent of the interest that exists in the professional medical entity;
    - Between a licensee and a professional medical entity in which the licensee controls an interest and the medical profession entity is not subject to a MSO contract; or
    - The noncompetition agreement is between a licensee who does not practice within their licensed scope and another person.
  - Applies to agreements entered into or renewed on or after the measure's effective date.
- **Nondisclosure and Nondisparagement Agreements**
  - Makes nondisclosure and nondisparagement agreements between licensees and MSOs generally void and unenforceable.
  - Makes exception for agreements made as part of a termination agreement provided that the licensee retains the right to make disclosures the licensee believes are evidence of rule or regulation violations.
  - Prohibits MSOs from taking disciplinary action against a licensee as retaliation for a nondisclosure or nondisparagement violation that was based on a good faith disclosure of evidence of a rule or regulation violation. Makes improper disciplinary action an unlawful employment practice.
  - Applies to agreements entered into or renewed on or after the measure's effective date.
- **Nonsolicitation Agreements**
  - Makes nonsolicitation agreements between a licensee and another person generally void and unenforceable.
  - Creates exceptions for agreements that are:
    - Between a licensee and a person executed in connection with a sale of a professional medical entity that is under contract with an MSO and at the time of the sale the licensee controlled at least 10 percent of the interest that exists in the professional medical entity;
    - Between a licensee and a professional medical entity in which the licensee controls an interest and the medical profession entity is not subject to a MSO contract; or
    - The nonsolicitation agreement is between a licensee who does not practice within their licensed scope and another person.
  - Becomes operative on January 1, 2026.
- Takes effect on 91st day following adjournment sine die.

**HB 3227 STAFF MEASURE SUMMARY**

*FISCAL: May have fiscal impact, but no statement yet issued.*

*REVENUE: May have revenue impact, but no statement yet issued.*

**ISSUES DISCUSSED:**

**EFFECT OF AMENDMENT:**

No amendment.

**BACKGROUND:**

Noncompetition agreements often impose condition that prevent workers for taking a new job or starting a new business. This can force workers to stay in a job they don't want, relocate to stay in their field, or switch to a lower-paying field. According to the Federal Trade Commission, nearing one in five Americans are subject to noncompetition agreements.

In 2024 the FTC issue a final rule banning noncompetition agreements nationwide. Two district courts have either blocked or invalidated the rule. While the FTC initially appealed those rulings, the new federal administration asked for a stay of these challenges in March 2025.

House Bill 3227 makes noncompetition agreements, nondisclosure agreements, nondisparagement agreements, and nonsolicitation agreements between specified individuals and corporate entities and health professional licensees void and unenforceable with specified exceptions.