# AN ACT related to physician employment contracts.

***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

# SECTION 1. A NEW SECTION OF KRS 311.530 TO 311.620 IS CREATED TO READ AS FOLLOWS:

## (1) For the purposes of this section, "covenant not to compete" means any provision of an employment contract or other agreement that creates or establishes a professional relationship with a physician and restricts the ability of a physician to practice medicine in any geographic area of the state for any period of time after the termination or cessation of the partnership, employment, or other professional relationship. The term does not include restrictions on the solicitation of patient relationships within the current patients of the partnership or employer that entered into the covenant not to compete.

## (2) It is the finding of the General Assembly that covenants not to compete are contrary to the public policy of the Commonwealth for the following reasons:

### (a) The American Medical Association's Code of Medical Ethics discourages covenants not to compete and that same code finds that ethical medical practice thrives best under free market conditions when patients can freely choose among competing physicians. The Code of Medical Ethics has been incorporated into the Kentucky Board of Medical Licensure's Medical Practice Act;

### (b) Physicians are increasingly seeking employment with health care systems instead of pursuing solo practice, necessitating more employment contracts;

### (c) The Commonwealth is ranked thirty-sixth (36th) among U.S. states by the Association of American Medical Colleges in terms of active physicians per capita, and rural areas in particular face current and future physician shortages.

### (d) Labor mobility, free market principles, and patient choice all serve as potential cost containment factors in the health care field.

## (3) Any contract or other agreement containing a covenant not to compete shall be void and unenforceable with respect to that restriction as a matter of public policy of the Commonwealth. The remaining provisions of any contract or other agreement that includes a covenant not to compete shall remain in full force and effect.

## (4) Notwithstanding subsection (3) of this section, the prohibition on physician covenants not to compete shall not apply in connection with the purchase and sale of a physician practice, provided the covenant not to compete is for a period of a time of no more than \_\_\_ (X) years.