

Department of Legislative Services  
Maryland General Assembly  
2024 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

House Bill 1388

(Delegate Hill, *et al.*)

Health and Government Operations and  
Environment and Transportation

Finance

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Labor and Employment – Noncompete and Conflict of Interest Clauses –  
Veterinary and Health Care Professionals

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This bill expands the application of provisions of current law stating that a noncompete or conflict of interest provision in an employment contract is null and void under State law to an employment contract for an employee that is required to be licensed under the Health Occupations Article or as a veterinary practitioner or veterinary technician. The bill takes effect June 1, 2024.

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Fiscal Summary

**State Effect:** The bill does not materially affect State finances or operations.

**Local Effect:** The bill does not materially affect local government finances or operations.

**Small Business Effect:** Potential meaningful.

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Analysis

**Current Law:** For an employee who earns equal to or less than 150% of the State minimum wage rate, a noncompete or conflict of interest provision in an employment contract or a similar document or agreement that restricts the ability of an employee to enter into employment with a new employer or to become self-employed in the same or similar business or trade is null and void as being against the public policy of the State. The provision is null and void whether or not the employer and employee entered into the employment contract or similar document or agreement in the State. The provision does

not apply to an employment contract or a similar document or agreement with respect to the taking or use of a client list or other proprietary client-related information.

**Small Business Effect:** The bill has no effect on small businesses that employ low-wage licensed health care workers, veterinary practitioners, and veterinary technicians if these employees earn 150% or less of the State minimum wage rate. However, small businesses that employ licensed health care workers, veterinary practitioners, and veterinary technicians earning more than 150% of the State minimum wage rate may no longer use noncompete agreements. A recent study by the U.S. Government Accountability Office found that noncompete agreements reduce job mobility and may reduce wages and new firm creation. The study also reports that a substantial proportion of health care workers are subject to noncompete agreements. Thus, the bill may have a potential meaningful impact on some small businesses that are veterinary practices or in the health care industry by potentially encouraging job mobility, higher wages, and new firm creation.

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### **Additional Information**

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** SB 1182 (Senator Jennings) - Rules.

**Information Source(s):** Maryland Association of County Health Officers; Maryland Department of Agriculture; Maryland Department of Health; Maryland Department of Labor; U.S. Government Accountability Office; Department of Legislative Services

**Fiscal Note History:** First Reader - February 29, 2024  
rh/mcr Third Reader - March 19, 2024  
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