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# Outside the Beltway

## How can veterinarians and private equity firms practice veterinary medicine in the District of Columbia?

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There are many great reasons to consider establishing a veterinary practice in Washington DC. Besides being the crossroads of sports, entertainment, politics, nonprofits, culture, and more, DC's population is well-educated and has a higher-than-average income. Additionally, 35% of DC's population consists of millennials, or Generation Y, who flock to the city each year to establish their careers. According to the American Pet Products Association, Generation Y is the largest pet-owning demographic in the United States, making this market even more attractive.

Also in recent years, healthcare-focused private equity firms and start-ups are looking to minimize risk by investing in less regulated healthcare sectors, like veterinary clinics.

So how can an entrepreneurial-minded veterinarian or healthcare-focused private equity firm take advantage of the DC market, while addressing and minimizing compliance risk?

Let's look at the questions surrounding the regulations and requirements to operate a veterinary practice in DC. For example:

- *Does DC prohibit the corporate practice of veterinary medicine?*
- *What is the role of DC's Board of Veterinary Medicine (Board), and how can you work with them?*
- *What important requirements and regulations do I need to be aware of to open a veterinary facility in DC?*

### **Yes, DC prohibits the corporate practice of veterinary medicine but...**

Although DC prohibits the corporate practice of veterinary medicine, it's possible to create a professional corporation with a licensed veterinarian as the sole shareholder or a limited liability company with a licensed veterinarian as the sole member. Under the Professional Corporation Act (or PC Act), the articles of incorporation must verify that each of the original shareholders, directors, and officers are also licensed veterinarians.

The only exception is if the corporation only has one shareholder, in which case they are allowed to have a secretary who is not required to be licensed.

Although the practice must be owned by a veterinarian or veterinarians that are licensed, in good standing, and **able** to practice veterinary medicine in DC, there's no requirement that they must be **actively**

practicing veterinary medicine in DC—they just must be licensed.

***How hard is it to be licensed?*** If you're a veterinarian with an active license in good standing in another state, you may be eligible for licensure in DC by endorsement. This allows you to seek a waiver from the normal licensing requirements, provided the state in which you're licensed in has similar licensing requirements.

### **Utilizing an “Amicable Veterinarian” Model**

To avoid violating DC's prohibitions on the corporate practice of veterinary medicine, investors sometimes utilize an “amicable veterinarian” model. Under this model, the investor will acquire only the non-regulated clinic assets through a management services organization (MSO), and the veterinarian-owner remains in place as the owner of the clinic and the employer of any other veterinarians and veterinarian technicians. The MSO contracts with the clinic to provide business management services in an arrangement that includes a “lease” of the non-regulated assets back to the clinic.

The reason that DC and many other states prevent non-veterinarians from owning a practice is to ensure that only licensed veterinarians make medical decisions. Because of this, care must be taken to ensure that the terms of the management agreement are not too controlling.

### **Get to Know DC's Board of Veterinary Medicine**

In DC, the practice of veterinary medicine is regulated by the Board of Veterinary Medicine, and they are open to speaking with potential business owners and collaborating with their legal counsel to ensure compliance with all the statutory requirements. You can eliminate potential delays with the facility licensure process by submitting a facility plan for Board consideration prior to submission of a formal application to allow identification of potential issues and red flags.

### **Important Requirements and Regulations – Get Ready to be Inspected!**

Veterinary facilities must be licensed, and the license must be held by a DC-licensed veterinarian. Additionally, licenses are specific to the premises and the license cannot be transferred.

Applications should be submitted 60 days prior to the intended date of operation, and DC's Veterinary Medical Officer will conduct an on-site inspection along with DC Fire Department. If deficiencies are found, you have 15 days to correct them. Take some time to review the DC municipal regulations here: D.C. Mun. Regs. Tit. 17 § 1912.

Veterinary facilities are also required to have separate inspections for radiography equipment and pharmacy operations to successfully obtain a facility permit from the Board. Lastly, facilities must obtain a business license from the Department of Consumer and Regulatory Affairs office.

### **What About Veterinary Technicians?**

It's also important to examine the DC regulations regarding veterinary technicians. The Code of the District of Columbia states that veterinary technicians must be a graduate from an AVMA accredited veterinary technology program and pass the Veterinary Technician National Examination to be certified by the Board as a veterinary technician.

Veterinary technicians must always act under the general supervision of a DC licensed veterinarian and be employed by the doctor group directly; they cannot be employed or receive compensation from a Management Service Organization (MSO).

### **Conclusion**

Although DC prohibits the corporate practice of veterinary medicine, by addressing key areas of compliance and engaging with the Board of Veterinary Medicine, it is possible to achieve the many benefits of operating in the DC market. Those looking to invest in the veterinary space need to take the corporate practice of veterinary medicine into consideration when developing their business models and analyze how their model will need to be modified to fit within the law.

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