



Regulations That Govern the Sale of New York Veterinary Practices

Selling your veterinary practice is a significant decision that involves careful planning, strategic considerations, and a sound understanding of the legal, financial, tax and operational aspects of the transaction. In New York, there are specific regulations that govern the sale of a veterinary practice. Planning and an understanding of the laws that govern in the space will allow for a smooth transition for both buyer and seller.

1. State Approval to Sell

In New York, the state does not directly approve the sale of a veterinary practice. However, several regulatory factors – such as ensuring whether buyer is a licensed veterinarian, compliance with ownership laws, and proper handling of controlled substances – must be observed before the sale can be successfully completed.

2. Licensing and Ownership Restrictions

New York law generally requires that veterinary practices be owned by a licensed veterinarian or a professional service corporation. Pursuant to Section 6702 of the New York State Education Law, a licensed veterinarian or a professional service corporation organized for the practice of veterinary medicine may employ veterinary technicians to assist them in the practice of their profession in such capacities.

There are certain deal structures, such as a management service organization (MSO), that allow portions of the business to be owned by a non-licensed individual or entity, so long as the day to day clinical decisions are made by licensed veterinarians employed by the practice. This is a factor that must be considered when a non-veterinarian – which in the last few years has commonly been private-equity – is the interested buyer. The buyer will need to meet all licensing requirements in order to continue to operate the practice after the closing, including, when dealing with a non-licensed buyer, having a management agreement in place between the professional practice and the management company.

3. Changes to Organizational Structure

If the organization is incorporated or organized with New York State and changes are made to its legal structure (i.e., change of entity type, conversion, merger etc.), the entity's principals or agents thereof will be required to notify the state and file the requisite documentation. This may involve interacting with the New York Secretary of State's Office and the New York State Department of Education and the Office of Professions.

4. Restrictions on Fee Splitting and Profit Sharing

When structuring the transaction – specifically transactions involving earn-out distributions and similar purchase price structures, it is important to understand the impact of Section 6530(19) of the New York State Education Law, which prohibits licensed healthcare professionals, including veterinarians, from engaging in “fee-splitting” and “profit sharing” activity with an unlicensed person or entity that is based on a percentage of, or is otherwise dependent upon, the income or receipts of the licensed veterinarian. The concern from the state is that fee-splitting can lead to clinical decisions being influenced by financial gain, rather what is in the best interest of the animal or the ethical code.

5. Controlled Substances

Every veterinarian dispensing or administering controlled substances (e.g., prescription medications for animals) requires a Drug Enforcement Administration license. There may also be state-specific requirements if the selling practice is involved in the handling of controlled substances. Steps will need to be taken to ensure that such license can be transferred and utilized by the acquiring practice.

6. Ethics

The New York State Veterinary Medical Society provides ethical guidelines for the sale of veterinary practices. The seller and buyer must ensure that the sale does not negatively affect animal care and well-being and the reputation of the veterinary profession.

This RMF law alert highlights a few of the key concerns when selling your veterinary practice. Navigating the regulatory and other requirements of a sale transaction involving a veterinary practice can be tricky. Due diligence and a fact specific inquiry into the buyer and seller is required to identify all potential regulatory requirements that must be adhered to. The veterinary law experts at RMF are here to assist you in getting your practice ready to be sold, counsel you through the process and guide you to a successful closing. If you have any questions, please reach out to:

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