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Navigating Corporate Veterinary Practices in California: A Look at AB 1535 and LLCs

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Pet owners in California pamper their pets: According to DollarGeek, Californians spend more on their animal companions than pet owners in any other state, and their expenditures include medical care. This fact alone (not to mention the state's abundant and diverse ecosystems, culture, and food) makes California a tempting place to launch a corporate veterinary practice. But rules may differ greatly from state to state when it comes to the nuanced intersection between delivering quality patient care and commercial interests. Some states follow the doctrine (borrowed from human medical care) that veterinarians may not be employed by non-licensed persons; this doctrine is intended to prevent corporate interests from affecting veterinarians' judgment and independence as licensed professionals. Other states are more flexible, allowing the corporate practice of veterinary medicine to varying degrees or fully allowing it.

On the spectrum of prohibiting the corporate practice of veterinary medicine and fully allowing it, California falls somewhere in the middle. The California Veterinary Medicine Practice Act permits non-licensed persons, including individuals, corporations, and limited liability companies, to directly employ one or more veterinarians or own a veterinary practice providing veterinary services. However, for a veterinary practice to remain in compliance with California law, it's essential to recognize the ways that California law may continue to shift, define itself, and be in dialogue with a changing pet care landscape.

What recent changes have there been to the way veterinary corporations in California are recognized by the law?
Effective January 1, 2022, Assembly Bill 1535 clarified California's position on the corporate practice of veterinary medicine through the addition of language to the Business and Professions Code, including prohibiting a non-licensed veterinary premises registration holder from interfering, controlling, or otherwise directing the professional judgment of any California-licensed veterinarian or registered veterinary technician. Broadly, in this context, veterinary premises mean the location of the operation where veterinary medicine is being practiced. The Board also has the authority to require any information deemed necessary to enforce this new provision, including employment contracts between the premises registration holder and California licensed veterinarians or registered veterinary technicians. Assembly Bill 1535 also added provisions clarifying that the Board has the authority to grant veterinary premises permits to veterinary corporations, corporations and other artificial legal entities.

While this section creates some new regulatory hurdles for corporate veterinary practices, the bright side for corporate veterinary practices is that Assembly Bill 1535, by specifically allowing an individual or an entity that is not a professional veterinary corporation to obtain a premises permit, and by safeguarding professional judgment from corporate interference, confirms that such corporate veterinary practices are a recognized and legal part of California's pet care landscape.

What if the employer is a California limited liability company?
The answer to this question may at first appear murky: The California Revised Uniform Limited Liability Company Act ("CRULLCA") specifically restricts the rendering of professional services, such as veterinary services, by limited liability companies. But the key word here is "rendering." The California Veterinary Medicine Practice Act clearly limits the practice of veterinary services to California-licensed veterinarians and veterinary corporations. The California Veterinary Medicine Practice Act also contemplates employment and contractual relationships between limited liability companies and licensed individuals, which relationships are subject to oversight by the Board. In that context, a licensed veterinarian would be the one rendering medical services, *not* the limited liability company employing that veterinarian. Although there is no clear law on this point, the implication is that limited liability companies may directly employ licensed veterinarians and registered veterinary technicians in California, as long as the limited liability company is mindful not to interfere with, control, or otherwise direct the professional judgment of the licensed veterinary employees.

In Conclusion...
While California has enacted new regulations for corporate veterinary practices, the language these regulations also makes clear that such practices are allowed in the state. Ensuring your corporate practice stays up to date on complying with these regulations is essential to continuing to thrive within the opportunities that California provides for the corporate practice of veterinary medicine.

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