

CLIENT ALERT



Texas Bill Seeks to Curb Private Equity's Incursion into Veterinary Medicine

MARCH 18, 2025

On December 13, 2024, Texas State Senator Juan Hinojosa introduced Texas Senate Bill No. 613 (S.B. No. 613 or the “bill”), titled “An Act relating to the regulation of the practice of veterinary medicine; increasing a civil penalty.”

S.B. No. 613 expands existing law related to the corporate practice of veterinary medicine. It expressly requires that all owners or partners of veterinary businesses hold valid veterinary licenses and prohibits non-veterinarians from controlling or interfering with a veterinarian’s practice of veterinary medicine through any contract or other arrangement.^[1] The bill also voids certain contracts between a veterinarian and a private equity firm (or a person owned or controlled by a private equity firm) that prevent the veterinarian from (1) competing with another veterinarian in which the private equity firm (or person) has a financial interest; or (2) disparaging or commenting on any issues involving the quality of care, utilization of care, ethical or professional standards or guidelines, or revenue-increasing strategies employed or influenced by the private equity firm or person.^[2]

S.B. No. 613 seeks to accomplish its legislative aims through amendments to the Texas Occupations Code, including adding additional mechanisms to enjoin arrangements that do not comply with the statute’s requirements and expanding the scope of enforcement to permit the Texas Attorney General and District or County Attorneys to seek civil monetary penalties against persons other than veterinarians. The bill also increases civil penalties for violations from \$1,000 per day to \$5,000 per day.^[3]

PARALLELS TO THE TEXAS VETERINARIAN BOARD’S RULES OF PROFESSIONAL CONDUCT

The bill expands upon certain existing provisions contained in the Texas Board of Veterinary Medical Examiner rules (the “Board rules”) relating to management services organizations.^[4] These existing Board rules already limited relationships with management services organizations, entities typically owned and controlled by a private equity investor. The bill, however, further restricts these relationships with management services organizations. For example, S.B. No. 613 proposes to restrict percentage-based management fees in most circumstances. Additionally, S.B. No. 613, places limitations on management services organizations from setting conditions under which a veterinarian is legally obligated to enter into a contract with a vendor or insurer or with another veterinarian for the delivery of care. If the bill is passed, parties entering into new contracts will need to confirm that these arrangements are compliant with applicable law.

A GROWING TREND

In recent years, private equity firms have been acquiring and consolidating healthcare practices, including veterinary practices. S.B. No. 613 is just one of many bills introduced throughout the country attempting to regulate the rapid pace of private equity investments in healthcare. At least 13 states have recently introduced bills dealing with the topic.^[5] Some laws require increased state-level oversight for, and transparency of, private-equity healthcare acquisitions. Others, like S.B. No. 613, regulate the commercialization of health care through what's known as corporate practice laws.

Politicians and regulators are concerned with how private equity's focus on short-term profits can adversely impact patients' treatment through higher prices, lower access, and diminished standards of care. Supporters of the private equity model point to the benefits that large capital investments can have on the healthcare industry, including the ability to upgrade healthcare technologies and facilities and outsource burdensome administrative tasks.^[6]

KEY DATES

S.B. No. 613 was referred to the Water, Agriculture, & Rural Affairs Committee of the Texas State Senate last month. If passed in its current form, the bill would only apply to contracts entered into or renewed after September 1, 2025.

[1] S.B. 613, 2024 Leg., Reg. Sess. (Tex. 2024), § 2.

[2] Id. §3.

[3] Id. §7.

[4] See 22 Tex. Admin. Code § 573.74.

[5] *State Lawmakers Scrutinize Private Equity's Healthcare Acquisitions* (Mar. 11, 2025), <https://www.lexisnexis.com/community/insights/legal/capitol-journal/b/state-net/posts/state-lawmakers-scrutinize-private-equity-s-healthcare-acquisitions>.

[6] Stephanie S. Lee, et al., *Private Equity In Health Care: A State-Based Policy Perspective* (Nov. 8, 2024), <https://www.healthaffairs.org/content/forefront/private-equity-health-care-state-based-policy-perspective>.

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