

By: Dean

H.B. No. 4408

A BILL TO BE ENTITLED

1 AN ACT

2 relating to required reporting of information on the ownership and
3 control of certain health care entities; providing a civil penalty;
4 authorizing a fee.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Subtitle I, Title 4, Government Code, as
7 effective April 1, 2025, is amended by adding Chapter 550A to read
8 as follows:

9 CHAPTER 550A. REQUIRED REPORTING ON OWNERSHIP AND CONTROL OF

HEALTH CARE ENTITIES

SUBCHAPTER A. GENERAL PROVISIONS

12 Sec. 550A.0001. DEFINITIONS. In this chapter:

H.B. No. 4408

8 (G) a diagnostic, laboratory, or imaging center;

12 center licensed in this state to provide health care services.
13 (3) "Health care provider" means an individual
14 qualified or licensed to perform or provide health care services in

15 this state.

26 (iii) performance of functions to refer,
27 arrange, or coordinate health care services:

4 (C) technology associated with the provision of
5 services and equipment described by Paragraphs (A) and (B),
6 including telehealth services, telemedicine medical services,
7 electronic health records, software, claims processors, and
8 utilization systems.

1 at least one health care provider in contracting with a health
2 carrier for the payment of health care services. The term includes
3 a physician organization, physician-hospital organization,
4 independent practice association, provider network, accountable
5 care organization, management services organization, or other
6 organization that contracts with a health carrier for the payment
7 of health care services.

8 Sec. 550A.0002. APPLICABILITY OF CHAPTER TO MATERIAL CHANGE
9 TRANSACTIONS; EXCEPTIONS. (a) This chapter applies to a material
10 change transaction, whether occurring as a single transaction or a
11 series of related transactions within a consecutive five-year
12 period, involving a health care entity in this state that has:

13 (1) a total of assets and annual revenue, including
14 in-state and out-of-state assets and revenue, in an amount equal to
15 at least \$10 million; or
16 (2) for a new health care entity, anticipated annual
17 revenue in an amount equal to at least \$10 million, including
18 in-state and out-of-state revenue.

19 (b) This chapter applies to the following material change
20 transactions:

21 (1) a corporate merger that includes one or more
22 health care entities;
23 (2) an acquisition of one or more health care
24 entities, including insolvent health care entities;
25 (3) a contract resulting in a health care entity's
26 change of control;
27 (4) the formation of a partnership, joint venture,

1 accountable care organization, parent organization, or management
2 services organization for the purpose of administering contracts
3 with health carriers, third-party administrators, pharmacy benefit
4 managers, or health care providers;

5 (5) the sale, purchase, lease, affiliation, or
6 transfer of control of a health care entity's board of directors or
7 governing body;

8 (6) a real estate sale or lease agreement involving a
9 material amount of health care entity assets; or

10 (7) as determined by rules adopted by the secretary of
11 state:

12 (A) the closure of a health care facility;
13 (B) the significant reduction or discontinuation
14 of any essential health care service provided by a provider
15 organization or health care facility; or

16 (C) any clinical or contractual affiliations
17 that would eliminate or significantly reduce essential health care
18 services.

19 (c) This chapter does not apply to the following:

20 (1) a clinical affiliation of health care entities
21 formed solely to collaborate on clinical trials;

22 (2) a graduate medical education program;

23 (3) an offer of employment to, or the hiring of, not
24 more than one physician; or

25 (4) a transaction, including a corporate
26 restructuring, in which a health care entity directly, or
27 indirectly through one or more intermediaries, currently controls,

1 is controlled by, or is under common control with, all other parties
2 to the transaction.

3 Sec. 550A.0003. CONTROL; CHANGE OF CONTROL. (a) A person
4 is considered to have control of a health care entity if the person,
5 directly or indirectly, through ownership, contractual agreement,
6 or otherwise, has the ability to:

7 (1) vote more than 10 percent of any class of voting
8 shares of the health care entity; or
9 (2) direct the actions or policies of the health care
10 entity.

11 (b) A change of control of a health care entity requires a
12 contract or arrangement in which another person acquires direct or
13 indirect control over the operations of a health care entity wholly
14 or in substantial part.

15 SUBCHAPTER B. TRANSPARENCY REPORTING IN OWNERSHIP AND
16 CONTROL OF HEALTH CARE ENTITIES

17 Sec. 550A.0101. REQUIRED INFORMATION REGARDING OWNERSHIP
18 AND CONTROL OF HEALTH CARE ENTITIES. Except as provided by Section
19 550A.0102, each health care entity shall report to the secretary of
20 state annually and on the execution of a material change
21 transaction, in the form and manner the secretary of state
22 requires, the following information:

23 (1) the legal name of the health care entity;
24 (2) the business address of the health care entity;
25 (3) the locations of the health care entity's
26 operations;
27 (4) the applicable business identification numbers of

1 the health care entity, including:

2 (A) the taxpayer identification number;

3 (B) the national provider identifier number;

4 (C) the employer identification number;

5 (D) the Centers for Medicare and Medicaid

6 Services certification number;

7 (E) the national association of insurance

8 commissioners identification number;

9 (F) a personal identification number associated

10 with a license issued by the Texas Department of Insurance; and

11 (G) the pharmacy benefit manager identification

12 number associated with a license or registration of the pharmacy

13 benefit manager in this state;

14 (5) the name and contact information of a

15 representative of the health care entity;

16 (6) the name, business address, and business

17 identification numbers described by Subdivision (4) for each person

18 that, with respect to the relevant health care entity:

19 (A) has an ownership or investment interest;

20 (B) has a controlling interest;

21 (C) is a management services organization; or

22 (D) is a significant equity investor, including:

23 (i) a private equity fund or other investor

24 with direct or indirect ownership of a health care entity or

25 provider;

26 (ii) an investor with direct or indirect

27 possession of equity totaling more than 10 percent of a provider's

1 organization; or

2 (iii) a private equity fund or investor

3 that operates a health care entity under a lease, management, or
4 operating agreement;

5 (7) a current organizational chart showing the
6 business structure of the health care entity, including:

7 (A) any person described by Subdivision (6);

8 (B) each affiliate of the health care entity; and

9 (C) each subsidiary of the health care entity;

10 (8) for a health care entity that is a provider
11 organization or a health care facility the following information
12 regarding each health care provider affiliated with the provider
13 organization or health care facility:

14 (A) the name, license type, specialty, national
15 provider identifier number, and other applicable identification
16 numbers described by Subdivision (4) applicable to the health care
17 provider;

18 (B) the address of the health care provider's
19 principal practice location; and

20 (C) whether the health care provider is employed
21 or contracted by the health care entity;

22 (9) the name and address of each affiliated health
23 care facility by license number, license type, and capacity in each
24 major health care service area; and

25 (10) comprehensive financial reports of the health
26 care entity and any affiliate, including audited financial
27 statements, cost reports, annual costs, annual receipts, realized

1 capital gains and losses, accumulated surplus, and accumulated
2 reserves.

3 Sec. 550A.0102. EXCEPTIONS. (a) Subject to Subsection (b),
4 a health care entity is exempt from the reporting requirements
5 under Section 550A.0101 if the health care entity:

6 (1) is an independent provider organization that is
7 not under the ownership or control of another entity; and
8 (2) consists of not more than three physicians.

9 (b) A health care entity that is exempt under Subsection (a)
10 and that undergoes a material change transaction is subject to the
11 reporting requirements under Section 550A.0101 on the completion of
12 the material change transaction.

13 (c) A health care provider or provider organization that is
14 owned or controlled by another health care entity is exempt from the
15 reporting requirements under Section 550A.0101 if:

16 (1) the controlling health care entity reports all the
17 information required under Section 550A.0101 on behalf of the
18 health care provider or provider organization; and
19 (2) the health care provider or provider organization
20 is shown in the organizational chart submitted under Section
21 550A.0101(7).

22 (d) A health care facility is not exempt under Subsection
23 (c).

24 Sec. 550A.0103. SHARING OF OWNERSHIP INFORMATION TO IMPROVE
25 TRANSPARENCY. (a) Information described by this section is
26 subject to disclosure under Chapter 552 and may not be considered
27 confidential, proprietary, or a trade secret, except that an

1 individual health care provider's taxpayer identification number
2 that is also the provider's social security number is confidential.

3 (b) Not later than July 1 of each year, the secretary of
4 state shall post on the secretary of state's publicly accessible
5 Internet website a report that includes the following information
6 for the preceding year:

7 (1) the number of health care entities reporting for
8 that year, disaggregated by the business structure of each
9 specified health care entity;

10 (2) the names, addresses, and business structure of
11 any entity with an ownership or controlling interest in each health
12 care entity;

13 (3) any change in ownership or control for each health
14 care entity;

15 (4) any change in the tax identification number of a
16 health care entity;

17 (5) as applicable, the name, address, tax
18 identification number, and business structure of other affiliates
19 under common control, subsidiaries, and management services
20 entities of the health care entity, including the business type and
21 the tax identification number of each entity; and

22 (6) an analysis of trends in horizontal and vertical
23 consolidation, disaggregated by business structure and provider
24 type.

25 (c) The secretary of state may share information reported to
26 the secretary of state under this subchapter with the attorney
27 general, state agencies, and state officials to reduce or avoid

1 duplication in reporting requirements or to facilitate oversight or
2 enforcement. A tax identification number that is an individual's
3 social security number and is shared with the attorney general, a
4 state agency, or a state official under this subchapter is
5 confidential. The secretary of state may, in consultation with the
6 relevant state agencies, merge similar reporting requirements as
7 appropriate.

8 Sec. 550A.0104. AUDIT AND INSPECTION. (a) The secretary of
9 state may audit and inspect the records of a health care entity:
10 (1) that has failed to submit complete information
11 required under this subchapter; or
12 (2) for which the secretary of state has reason to
13 question the accuracy or completeness of the information submitted
14 by the entity under this subchapter.

15 (b) The secretary of state shall conduct random annual
16 audits of health care entities to verify compliance with, accuracy
17 of, and completeness of the reported information under this
18 subchapter.

19 Sec. 550A.0105. CIVIL PENALTY. (a) A health care entity
20 that fails to provide a complete report under Section 550A.0101, or
21 submits a report containing false information, is liable to this
22 state for a civil penalty. The amount of the civil penalty assessed
23 under this section may not exceed:

24 (1) \$50,000 for each violation for a health care
25 entity consisting of independent health care providers or provider
26 organizations without any third-party ownership or control
27 entities, with not more than 10 physicians, and with not more than

1 \$10 million in annual revenue; and

2 (2) \$500,000 for each violation for a health care
3 entity not described by Subdivision (1).

4 (b) The attorney general may bring an action to:

5 (1) recover the civil penalty imposed under this
6 section; or

7 (2) restrain or enjoin the person from violating this
8 chapter.

9 (c) The attorney general may recover reasonable attorney's
10 fees and other reasonable expenses incurred in investigating and
11 bringing an action under this section.

12 (d) The attorney general shall deposit a civil penalty
13 collected under this section in the state treasury to the credit of
14 the general revenue fund.

15 Sec. 550A.0106. RULES; FEES. (a) The secretary of state
16 shall adopt rules as necessary to implement this chapter, including
17 rules identifying essential health care services and establishing
18 standards for determining the factors constituting a significant
19 reduction of those services for purposes of determining a material
20 change transaction under this chapter.

21 (b) The secretary of state may assess an administrative fee
22 on a health care entity in an amount sufficient to cover the costs
23 of overseeing and implementing this chapter.

24 SECTION 2. The secretary of state shall begin posting the
25 annual report on the secretary of state's website, as required
26 under Section 550A.0103, Government Code, as added by this Act, on
27 July 1, 2026.

H.B. No. 4408

1 SECTION 3. This Act takes effect September 1, 2025.