

By: Dean

H.B. No. 4408

A BILL TO BE ENTITLED

AN ACT

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

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

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

CHAPTER 550A. REQUIRED REPORTING ON OWNERSHIP AND CONTROL OF HEALTH CARE ENTITIES

SUBCHAPTER A. GENERAL PROVISIONS

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

(1) "Health care entity" means a health care provider, health care facility, provider organization, pharmacy benefit manager, or health carrier that offers a health benefit plan in this state.

(2) "Health care facility" means a facility licensed to provide health care services, including:

(A) a hospital or other inpatient facility for providing health care services;

(B) a health system consisting of jointly owned or managed health care entities;

(C) a skilled nursing facility licensed under Chapter 242, Health and Safety Code;

1                   (D) an ambulatory surgical center licensed under  
2 Chapter 243, Health and Safety Code;

3                   (E) a freestanding emergency medical care  
4 facility licensed under Chapter 254, Health and Safety Code;

5                   (F) a general residential operation licensed  
6 under Chapter 42, Human Resources Code, that provides treatment  
7 services;

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

9                   (H) an outpatient clinic licensed in this state  
10 to provide health care services; or

11                   (I) a rehabilitation center or other therapeutic  
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.

16                   (4) "Health care services" means:

17                   (A) services provided for the care, prevention,  
18 diagnosis, treatment, cure, or relief of a medical, dental, or  
19 behavioral health condition, including:

20                   (i) inpatient, outpatient, habilitative,  
21 rehabilitative, dental, palliative, therapeutic, supportive, home  
22 health, or behavioral services provided by a health care entity;

23                   (ii) retail and specialty pharmacy  
24 services, including drugs, devices, and medical supplies provided  
25 by a pharmacy; and

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

1                   (B) equipment used to provide services described  
2 by Paragraph (A), including durable medical equipment and  
3 diagnostic, infusion, and surgical devices; and

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.

9                   (5) "Health carrier" has the meaning assigned by  
10 Section 1507.002, Insurance Code.

11                   (6) "Management services organization" means an  
12 organization or entity that contracts with a health care provider  
13 or provider organization to perform management or administrative  
14 services relating to, supporting, or facilitating the provision of  
15 health care services.

16                   (7) "Material change transaction" means a transaction  
17 that entails a material change to ownership, operations, or  
18 governance structure involving health plans, health insurers,  
19 hospitals or hospital systems, physician organizations, health  
20 care providers, health care facilities, pharmacy benefit managers,  
21 and other health care entities.

22                   (8) "Pharmacy benefit manager" has the meaning  
23 assigned by Section 4151.151, Insurance Code.

24                   (9) "Provider organization" means an incorporated or  
25 unincorporated corporation, partnership, business trust,  
26 association, or organized group of persons that is in the business  
27 of health care service delivery or management and that represents

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,

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

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

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

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

(A) the closure of a health care facility;

(B) the significant reduction or discontinuation of any essential health care service provided by a provider organization or health care facility; or

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

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

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

(2) a graduate medical education program;

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

(4) a transaction, including a corporate restructuring, in which a health care entity directly, or 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

the health care entity, including:

(A) the taxpayer identification number;

(B) the national provider identifier number;

(C) the employer identification number;

(D) the Centers for Medicare and Medicaid Services certification number;

(E) the national association of insurance commissioners identification number;

(F) a personal identification number associated with a license issued by the Texas Department of Insurance; and

(G) the pharmacy benefit manager identification number associated with a license or registration of the pharmacy benefit manager in this state;

(5) the name and contact information of a representative of the health care entity;

(6) the name, business address, and business identification numbers described by Subdivision (4) for each person that, with respect to the relevant health care entity:

(A) has an ownership or investment interest;

(B) has a controlling interest;

(C) is a management services organization; or

(D) is a significant equity investor, including:

(i) a private equity fund or other investor with direct or indirect ownership of a health care entity or provider;

(ii) an investor with direct or indirect possession of equity totaling more than 10 percent of a provider's

organization; or

(iii) a private equity fund or investor that operates a health care entity under a lease, management, or operating agreement;

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

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

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

(C) each subsidiary of the health care entity;

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

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

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

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

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

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



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

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

(1) is an independent provider organization that is not under the ownership or control of another entity; and

(2) consists of not more than three physicians.

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

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

(1) the controlling health care entity reports all the information required under Section 550A.0101 on behalf of the health care provider or provider organization; and

(2) the health care provider or provider organization is shown in the organizational chart submitted under Section 550A.0101(7).

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

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

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

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

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

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

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

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

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

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

(c) The secretary of state may share information reported to the secretary of state under this subchapter with the attorney 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.

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