

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

April 20, 2025

TO: Honorable Gary VanDeaver, Chair, House Committee on Public Health

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB4408 by Dean (Relating to required reporting of information on the ownership and control of certain health care entities; providing a civil penalty; authorizing a fee.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4408, As Introduced: a negative impact of (\$1,439,551) through the biennium ending August 31, 2027.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2026	(\$1,439,551)
2027	\$0
2028	\$0
2029	\$0
2030	\$0

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Savings/(Cost) from General Revenue Fund</i>	<i>Probable Savings/(Cost) from Appropriated Receipts</i>	<i>Probable Revenue Gain/(Loss) from Appropriated Receipts</i>	<i>Change in Number of State Employees from FY 2025</i>
	1	666	666	
2026	(\$1,439,551)	(\$4,278,540)	\$4,278,540	30.0
2027	\$0	(\$4,278,540)	\$4,278,540	30.0
2028	\$0	(\$4,278,540)	\$4,278,540	30.0
2029	\$0	(\$4,278,540)	\$4,278,540	30.0
2030	\$0	(\$4,278,540)	\$4,278,540	30.0

Fiscal Analysis

The bill would amend the Government Code to impose new financial disclosure requirements on health care entities doing business in Texas. The Secretary of State (SOS) would be granted regulatory and enforcement responsibilities over corporate structure, private equity involvement, and financial reporting of these entities. Regulated health care entities would be required to file annual reports with the SOS. Certain regulated health care entities over an established statutory threshold of assets and revenues would be required to report the execution of material change transactions. The bill would require mandatory disclosure of ownership structures and other information about regulated health care entities.

The bill would authorize the SOS to audit and to inspect the records of a regulated health care entity in certain circumstances. The bill would direct the office to conduct random annual audits of regulated health care entities.

The bill would provide that a regulated health care entity that fails to submit a required report to the SOS, or submits a report containing false information, would be liable to the State for a civil penalty. The bill would authorize the Office of the Attorney General (OAG) to bring an action to recover these civil penalties among other legal remedies.

The bill would authorize the SOS to assess an administrative fee on a health care entity in an amount sufficient to recover the costs of administering the regulations.

Methodology

The existing statutory functions of the SOS do not include the regulation of health care entities or the auditing or inspection of business organization records. Developing these new capacities would require a substantial increase in staff at the agency.

According to the SOS, the agency would require 30 additional full-time equivalents (FTEs) who would be responsible for: processing filings submitted by regulated entities; conducting legal reviews of submitted information; financially auditing regulated health care entities; adopting and implementing rules related to health care services; responding to inquiries regarding disclosure obligations; and creating and maintaining a database of health care filings.

The agency anticipates filling the following positions at these anticipated annual salaries: one Information Security Officer (\$165,851), two Attorney V (\$150,773), two Financial Examiner VII (\$137,066), four Attorney IV (\$124,606), one General Counsel II (\$124,606), one Director II (\$113,278), three Auditor V (\$102,980), three Financial Examiner V (\$91,836), one Program Supervisor VII (\$91,836), one Executive Assistant IV (\$80,421), four Program Specialist V (\$70,662), one Executive Assistant III (\$70,662), two Legal Assistant III (\$66,255), three Information Technology Support Specialist IV (\$66,255), one Human Resources Specialist II (\$53,722).

Associated benefits and related expenses for the 30 new FTEs would be \$930,501 per fiscal year. The SOS anticipates that travel costs would be \$25,000 per fiscal year.

The agency does not have sufficient office space for the additional employees it anticipates would be required by the bill. According to the SOS, the estimated rental expense for the employees, as calculated by Texas Facilities Commission, would be \$350,190 per year.

It is assumed that operational costs related to the regulation of health care entities as established by this bill would be recovered through the statutory fee process established in the bill.

The agency estimates that, in addition to these operational costs, initial setup costs for the 30 new FTEs in fiscal year 2026 would be \$239,551. It is assumed that these setup costs would be funded through General Revenue.

According to the Comptroller of Public Accounts (CPA), the administrative fee amount that would be assessed by the SOS on a regulated health care entity, and the number of entities it would be assessed on are unknown. As such, according to CPA, the related fiscal impact on the state cannot be estimated.

According to the OAG, there would be no significant fiscal impact on the agency.

According to the Office of Court Administration, the fiscal impact on the state court system cannot be determined.

According to the Health and Human Services Commission, the provisions of the bill relating to the agency can be accomplished within existing resources.

Technology

According to the SOS, the agency would need to create a new system for accepting, processing, and evaluating reports submitted by regulated health care entities on a continuous basis and to maintain records received from these entities in connection with an SOS audit or inspection.

The agency estimates development of the new system would require two months for discovery to evaluate the building of the new application, three months to develop and test the application, and one month to support the functionality once the new system is released to the public. The agency estimates the development of this system would \$200,000 per month for a total cost of \$1,200,000 for six months.

It is assumed the costs related to the development of this technology would be funded through General Revenue.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 212 Office of Court Administration, Texas Judicial Council, 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 307 Secretary of State, 529 Health and Human Services Commission

LBB Staff: JMc, NPe, LCO, GP, NV