Why Texas Should Slow Down On Healthcare Merger Bills

By **John Saran, Harshita Rathore and Robbie Allen** (May 21, 2025)

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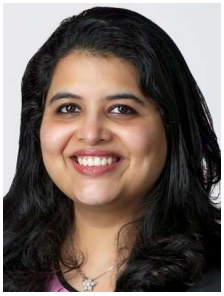

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Texas is the national focal point in the bipartisan debate over state efforts to regulate healthcare consolidation. The fate of pending legislation since early this year, which drew widespread opposition from Texas facilities, provider groups and other stakeholders, comes to a head on June 2, the final day of the legislative session.

On the docket are three bills — H.B. 2747, S.B. 1595 and H.B. 4408 — aimed at studying the effects of healthcare consolidation to increase affordability and access to healthcare.

However, many stakeholders believe that if enacted, these bills could have the opposite effect.[1] They argue that rather than fostering a more affordable and accessible system, the laws could place significant burdens on independent providers, deter investment in local communities and reduce patient access to services, especially in rural and underserved areas.

They also posit that the impact of these broad oversight efforts could cause smaller providers to have fewer options to sell or consolidate, which would dramatically reduce the value creation built into these small businesses and severely limit downstream opportunity.

"Oversight efforts that are too broad, too costly, or too disconnected from the real sources of cost pressures risk chilling investment, undermining innovation, and reducing patient access — particularly in the communities that can least afford it," said Regan Parker, CEO of the Association for Responsible Healthcare Investment, in written testimony to the Texas House Committee on Public Health on H.B. 2747.

Texas legislators may need more time to study these sweeping proposals and feedback from the market. Market studies and ultimately, targeted legislation, if needed, could avoid unintended consequences that could stifle the Texas healthcare industry. What happens in the Lone Star State this year could influence legislative processes across the country.

Overview of the Three Bills

H.B. 2747 proposes a transaction reporting framework that requires certain healthcare entities to notify the Texas attorney general at least 90 days before a material change transaction occurs, such as mergers, acquisitions or sales.

The bill also authorizes the attorney general to study healthcare market conditions, including ownership concentration, competitive forces on price and quality, trends in service price and availability, and the effects of material change transactions. Notably, H.B. 2747 includes confidentiality protections for submitted materials.

S.B. 1595 and H.B. 4408 also require a notice for material change transactions involving

entities with assets or revenue of at least $10 million. However, it also mandates annual ownership and financial disclosures to the Texas secretary of state, with no confidentiality safeguards.

These disclosures include detailed organizational charts, affiliated providers and facilities, ownership structures, contact information, and comprehensive financial reports, including audited financials.

Below are specific concerns raised by various stakeholders, but the general sentiment of the bills' opponents is reflected in the following written testimony by the Patient Choice Coalition, dated April 7, "[f]ollowing the lead of California or Massachusetts may not be what is needed here. Texas should understand the likely impacts and unintended consequences of any proposed bill on our independent providers and physician-owned facilities."

Small practices and providers already have significant regulatory compliance burdens that often drive them to seek assistance or partnerships to navigate — reducing physician income and limiting growth potential. The bills' potential to incentivize practices to remain small and under the reporting threshold is contrary to the need for the required scale and care coordination necessary to deliver the quality levels patients expect and deserve.

H.B 2747

Low Dollar Thresholds for Applicability

H.B. 2747 sets a low threshold ($5 million in annual revenue) for the size of the largest party involved in the transaction, making it one of the broadest transaction reporting bills in the country. While Texas has many private practice physicians that are part of consolidating entities, the majority are still local care delivery businesses, and the reporting thresholds introduce a very low dollar threshold that triggers a number of compliance steps.

To illustrate, a five-physician cardiology group could easily have a value/revenue over $10 million, triggering a variety of reporting requirements. There also is no transaction size threshold. A low bar for transactions could also strain the resources of the Texas attorney general's office and delay small and low-impact transactions that are vital for healthcare in local communities.

Potential for Extraterritorial Impact and Broad Attorney General Discretion

The absence of geographic limitations could allow Texas to assert authority over transactions involving out-of-state parties with limited presence in Texas. This overreach could hinder national healthcare transactions, and encourage closure or divestiture of investment in rural and underserved communities.

There also is concern by stakeholders that the law grants too much discretion to the Texas attorney general without any clear parameters — questions were also raised by Committee members during live testimony on April 7 about whether the attorney general reviews consolidation in other industries.

Notice Period

The 90-day notice requirement exceeds the time frame of the Hart-Scott-Rodino Act. As a result, a transaction cleared at the federal level could still face additional delays in Texas.

This extended timeline increases legal and administrative costs, and may shift investor interest to less burdensome jurisdictions.

Potentially Redundant Reporting Requirements

H.B. 2747 does not account for existing regulatory processes that already require change-of-control notifications. Many facilities in Texas already comply with such requirements under state or federal law. Imposing duplicative requirements only adds complexity and cost.

H.B. 4408 and S.B. 1595

Annual Reporting Requirements

S.B. 1595 and H.B. 4408 establish an expansive and burdensome healthcare annual reporting process. Healthcare entities with $10 million or more in assets or revenue would be required to submit detailed ownership and financial data annually, in addition to reporting material change transactions.

These requirements would effectively treat private healthcare entities similar to minipublic companies, placing a significant administrative burden on providers and potentially discouraging investment in Texas.

Broad regulatory oversight of smaller healthcare practices may result in reduced competition in the marketplace by forcing them to either sell or consolidate into large healthcare systems that are better equipped to handle the reporting obligations.

This dramatically reduces the value creation built into these small businesses and severely limits downstream opportunity. Though some healthcare entities already report certain ownership information for licensure or payer purposes, H.B. 4408 and S.B. 1595 go significantly further. Indiana and Massachusetts adopted reporting measures this year, but these bills would be broader.[2]

No Confidentiality

Unlike H.B. 2747, H.B. 4408 does not protect the confidentiality of sensitive business information. All reports submitted to the secretary of state would be made publicly available. This gap could expose proprietary business strategies, complex corporate structures and financial data to competitors, media and advocacy groups, undermining business negotiations and deterring strategic partnerships.

Ambiguity in Key Definitions

The bill requires annual reporting upon execution of a material change transaction, but it is unclear whether this refers to signing a letter of intent, a purchase agreement or closing the transaction.

There is also no time frame for a transaction notice. These ambiguities could lead to confusion, inadvertent violations and increased legal exposure. The bill's vague definition of "material change" also could capture numerous transactions that are insignificant to healthcare consolidation.

Considerations as the Texas Legislative Session Winds Down

H.B. 2747, H.B. 4408 and S.B. 1595 attempt to address important issues related to consolidation and competition in the healthcare market. However, stakeholders believe that the current proposals are too broad, too burdensome and too disconnected from the real challenges facing Texas healthcare providers.

Though Texas has many private practice physicians who are part of consolidating entities, the majority are still local care delivery businesses, and the reporting thresholds introduce a very low dollar threshold that triggers compliance steps.

The current provider base is just beginning to recover from the record burnout of the COVID-19 era, and there is a need to evaluate where the financial threshold for reporting requirements actually affects care, competition and access — not simply assign an arbitrary dollar amount.

Parker from the Association for Responsible Healthcare Investment commented that:

> ARHI supports more research and studies on the impact of private investments in healthcare. There are well founded concerns about some of these investments and their impacts across the country. However, understanding how to create a framework to prevent bad actors in this space while not stifling important investments in underserved communities will take thoughtful consideration. We welcome continued conversations and opportunities to educate stakeholders.

Any regulatory framework, if needed, could be further narrowed to focus on specific transactions or conduct that meaningfully affects competition in Texas. The framework could include appropriate thresholds to exempt small providers and low-risk transactions.

These measures also could avoid creating unnecessary concern in the marketplace by respecting the confidentiality of proprietary business information and avoiding duplicating existing reporting processes.

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[1] See written stakeholder testimonies, including Written Testimony on HB 2747 by Patient Choice Coalition, compiled on April 7, 2025; written testimony on HB 4408 by Patient Choice Coalition; and written testimony on HB 2747 by Regan Parker, Chief Executive Officer, Association for Responsible Healthcare Investment, in each case to or in front of the Committee.

[2] Ind. Code §16-21-6-3; Mass. Gen. Laws Ann. ch. 6D, §13.