

**Alert | Health Care & FDA Practice /  
Texas Government Law & Policy**



July 2025

## **Texas Legislature Passes New Laws Impacting Health Care Industry**

Several state bills affecting the health care industry arose during the 89th Regular Session of the Texas Legislature, which ended June 2, 2025. This GT Alert provides summaries and effective dates of these bills, some of which passed and were enacted by Gov. Abbott, while others did not.

### **HB 2254 – Allows Insurers and Health Care Providers to Enter Health Care Services Contract Arrangements**

HB 2254 authorizes health insurance plans to enter into contracts for primary care services using fee-for-service arrangements, risk-sharing arrangements, capitation arrangements, or any combination of these models. However, primary care physicians and physician groups are not required to enter into such arrangements, and insurers may not discriminate against those that choose not to participate. The legislation also prohibits global capitation arrangements.

Additionally, payor-provider contracts under these arrangements must not disincentivize the provision of medically necessary health care services or interfere with a physician's independent medical judgment regarding which services are medically appropriate or necessary. The legislation took effect immediately upon its signing on June 20, 2025.

### **SB 31 – Amends Treatment Guidance for Pregnant Women with Life-Threatening Emergency Conditions**

This legislation, also known as the Life of the Mother Act, provides that, if a pregnant woman has a life-threatening physical condition aggravated by or arising from her pregnancy, a physician is not required to wait until the risk is imminent or until the pregnant woman suffers physical harm before acting. In treating the life-threatening condition, a physician must use the method that offers the best opportunity for the fetus to survive while balancing the pregnant woman's risk of death or substantial impairment of a major bodily function. This legislation is an attempt to address certain criticisms of Texas' abortion laws, which resulted in uncertainty among physicians about when the law's emergency exception would be triggered. SB 31 went into effect immediately upon its signing on June 20, 2025.

### **SB 815 – Restricts Use of AI to Determine Medical Necessity or Appropriateness**

This bill imposes restrictions on the use of artificial intelligence algorithms by utilization review agents to determine whether health services are medically necessary or appropriate. Under the legislation, a utilization review agent may not use an AI algorithm as the sole basis for wholly or partially denying, delaying, or modifying health care services. The bill clarifies that only a physician or licensed health care provider may determine medical necessity or appropriateness. SB 815 will take effect Sept. 1, 2025.

### **SB 1236 – Governs Relationship Between Pharmacists or Pharmacies and Health Benefit Plan Issuers or Pharmacy Benefit Managers**

SB 1236 provides that a health benefit plan issuer or pharmacy benefit manager (PBM) may not, as the result of an audit, deny or reduce any claim payment made to a pharmacist or pharmacy after adjudication of the claim, except in cases of fraud, duplicate payments, erroneous prescriptions, or clerical errors. Additional provisions detail when and how a health benefit plan insurer or PBM may make changes to contracts with pharmacies or pharmacists, including enhanced requirements for changes would decrease compensation, move a pharmacist or pharmacy to a less-preferred tier, or alter administrative procedures to increase expenses or decrease compensation. The legislation limits certain actions by PBMs, such as penalizing non-network participants or charging pharmacies or pharmacists a fee to participate in a network. SB 1236 will take effect Sept. 1, 2025.

### **HB 2038 – Regulates Issuance of Provisional Medical Licenses to Foreign License Holders**

This legislation establishes the circumstances under which a foreign license holder may receive a provisional medical license, including specific restrictions on individuals from countries deemed to pose a national security risk, the settings in which a provisional licensee may practice, and the conditions under which the board may issue a full license. For physician graduates, the legislation provides criteria for receiving a limited license, prohibits graduates from practicing without entering into a supervising practice agreement with a sponsoring physician, sets practice limitations such as a physician graduate only being able to practice in a county with a population of less than 100,000, and lays out the circumstances in which a graduate's limited license may be renewed, denied, suspended, and revoked. HB 2038 also sets rules on when a physician is eligible to enter into a supervising practice agreement as a sponsoring physician. The legislation will take effect Sept. 1, 2025.

## **HB 2747 – Notification Requirements for Health Care Entities’ Material Change Transactions**

In February 2025, Texas legislators introduced HB 2747, which would have required certain health care entities to notify the state 90 days in advance of specified “material change transactions” involving “a material change to ownership, operations, or governance structure.” The notice requirement would have applied to a broad range of transactions, including but not limited to: mergers involving a health care entity; acquisitions of health care entities or a material amount of the assets or operations of health care entities; formation of joint ventures, partnerships, accountable care organizations, or management services organizations resulting in a person acquiring direct or indirect control over all or a substantial part of a health care entity; and real estate sales involving a material amount of health care entity assets. While similar to legislation in other states, this bill did not require attorney general or agency approval for such transactions. The bill ultimately died in committee.

## **SB 1595 & HB 4408 – Annual Ownership and Control Reporting Requirements for Health Care Entities**

Between February and April 2025, the Texas Senate and House considered identical bills that would have required certain health care entities to annually report information regarding their ownership and control. The bills targeted specified types of “material change transactions” involving a health care entity with total assets and annual revenue of at least \$10 million. Covered transactions included but were not limited to: mergers; acquisitions; changes in control; formation of joint ventures or management organizations; significant asset transfers; real estate sales involving a material amount of health care entity assets; closure of a health care facility; and significant reduction of any essential health care service provided by a health care facility. In addition to reporting material change transactions, the bills would have required health care entities to submit annual reports to the state listing each person with an ownership, investment, or controlling interest; any management service organization affiliated with the entity, and any significant equity investor. Similar to legislation in other states, these bills aimed to address concerns about increasing private equity ownership of or affiliation with medical practices. Neither bill progressed to a full vote in either chamber.

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