

SB63 ENGROSSED



1 SB63
2 NRSWP8T-2
3 By Senator Orr
4 RFD: Healthcare
5 First Read: 13-Jan-26



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BILL
TO BE ENTITLED
AN ACT

Relating to health insurance; to impose limitations on the use of artificial intelligence by insurers in making determinations of coverage under health benefit plans; and to authorize the Department of Insurance of the State of Alabama to investigate and impose disciplinary action for violations.
BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. (a) For the purposes of this section, the following terms have the following meanings:

(1) ARTIFICIAL INTELLIGENCE. A machine-based system that may include software or physical hardware that performs tasks, based upon data set inputs, which require human-like perception, cognition, planning, learning, communication, or physical action and which is capable of improving performance based upon learned experience without significant human oversight toward influencing real or virtual environments.

(2) DEPARTMENT. The Department of Insurance of the State of Alabama.

(3) ENROLLEE. An individual to whom an insurer is contractually obligated to pay for or provide medical benefits under a health benefit plan.

(4) GROUP PLAN. A health benefit plan that is sponsored by an employer or other entity on behalf of group members.



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29 (5) HEALTH BENEFIT PLAN. a. Any plan, policy, or
30 contract issued, delivered, or renewed in this state that
31 provides medical benefits that include payment for
32 hospitalization, physician care, treatment, surgery, therapy,
33 drugs, equipment, and any other medical expense, regardless of
34 whether the plan is for a group or individual.

35 b. The term does not include accident-only, specified
36 disease, individual hospital indemnity, credit, dental-only,
37 Medicare supplement, long-term care, disability income, or
38 other limited benefit health insurance policies, or coverage
39 issued as supplemental to liability insurance, workers'
40 compensation, or automobile medical payment insurance.

41 (6) HEALTH CARE SERVICE. Diagnosing, testing,
42 monitoring, or treating a human disease, disorder, syndrome,
43 illness, or injury that may include, but not be limited to,
44 hospitalization, physician care, treatment, surgery, therapy,
45 drugs, or medical equipment.

46 (7) INDIVIDUAL PLAN. A health benefit plan that is
47 purchased directly by an individual.

48 (8) INSURER. The term includes all of the following:

49 a. Any entity that issues, delivers, or renews a health
50 benefit plan, including a person as defined in Section 27-1-2,
51 a health maintenance organization established under Chapter
52 21A of Title 27, Code of Alabama 1975, a nonprofit health care
53 services plan established under Article 6, Chapter 20 of Title
54 10A, Code of Alabama 1975, or a nonprofit agricultural
55 organization that offers health care benefits pursuant to
56 Chapter 33 of Title 2, Code of Alabama 1975.



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57 b. Any department or office internal to an entity
58 described in paragraph a. which performs utilization review.

59 c. Any separate entity that performs utilization review
60 as a contractor or agent of an entity described in paragraph
61 a.

62 (9) PRIOR AUTHORIZATION. A written or oral
63 determination made by an insurer that a health care service is
64 a benefit covered under the applicable health benefit plan
65 which, under the enrollee's clinical circumstances, is
66 medically necessary or satisfies another requirement imposed
67 by the insurer or law and thus satisfies the requirements for
68 payment or reimbursement.

69 (10) UTILIZATION REVIEW. The determination of requests
70 for prior authorization under a health benefit plan according
71 to the rules, health care service policies, and guidelines
72 adopted by an insurer, or requirements imposed by law, and
73 applicable to a health benefit plan.

74 (b) (1) An insurer that uses artificial intelligence to
75 make determinations on requests for prior authorization under
76 health benefit plans shall base determinations on all of the
77 following:

78 a. The enrollee's medical history.

79 b. Any clinical circumstances unique to the enrollee
80 which are presented by the requesting health care provider.

81 c. Additional clinical information about the enrollee
82 which may be present in the enrollee's medical record.

83 (2) An insurer shall certify annually to the department
84 that the artificial intelligence used to make determinations



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85 on requests for prior authorization complies with all of the
86 following:

87 a. Does not rely solely on a group dataset to make
88 determinations.

89 b. Is configured and applied in a fair manner for each
90 subscriber group and enrollee such that resulting
91 determinations are consistent for enrollees who present with
92 similar clinical considerations.

93 c. Does not discriminate directly or indirectly against
94 any subscriber group or enrollee in violation of state or
95 federal law, including any regulation or guidance issued by
96 the federal Department of Health and Human Services.

97 (3) In addition to the requirements listed in
98 subdivisions (1) and (2), a determination to deny, reduce, or
99 defer a request for prior authorization shall always be made
100 by a licensed physician or other health care professional who
101 is competent to evaluate any recommendation or conclusion of
102 artificial intelligence in the light of the specific clinical
103 issues involved in the health care service requested which are
104 unique to the enrollee's circumstances or as recommended by
105 the treating health care provider.

106 (c) An insurer shall do all of the following:

107 (1) Make prominent written disclosure if artificial
108 intelligence is used as a tool to contribute information in
109 utilization review to:

110 a. The sponsor in the case of a group plan; or

111 b. The enrollee in the case of an individual plan.

112 (2) Certify annually to the department that: (i) use of



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113 artificial intelligence and the outcomes that it generates are
114 reviewed on a periodic basis to maximize accuracy and
115 reliability; and (ii) use of artificial intelligence in
116 utilization review complies with the requirements of
117 subsection (b).

118 (3) Ensure that patient data used in utilization review
119 functions by artificial intelligence is not used beyond its
120 intended and stated purpose consistent with the federal Health
121 Insurance Portability and Accountability Act (HIPAA), 42
122 U.S.C. § 1320d et seq.

123 (d) (1) When the department has reasonable grounds to
124 believe that an insurer has or is engaged in conduct that
125 violates subsection (b), including making determinations of
126 prior authorization adverse to an enrollee without taking into
127 consideration the enrollee's medical history and relevant
128 clinical circumstances, the department may notify the insurer
129 of the alleged violation and the insurer shall respond to the
130 notice within 30 days.

131 (2) If the department finds the response required in
132 subdivision (1) to be unsatisfactory, the department may hold
133 a hearing as provided in Article 1, Chapter 2 of Title 27,
134 Code of Alabama 1975.

135 (3) If, upon hearing the case, the department
136 determines that the insurer has or is engaged in conduct that
137 violates subsection (b), including making determinations of
138 prior authorization adverse to an enrollee without taking into
139 consideration the enrollee's medical history and relevant
140 clinical circumstances, the department may do any of the



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141 following:

142 a. Impose a plan upon the insurer to correct
143 procedures, policies, and guidelines to bring the insurer's
144 utilization review into compliance with this section.

145 b. For repeat violations, impose upon the insurer the
146 disciplinary measures provided in Section 27-3A-6(d), Code of
147 Alabama 1975.

148 (e) The department shall adopt rules to enforce this
149 section.

150 Section 2. This act shall become effective on October
151 1, 2026.



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152
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154 Senate

155 Read for the first time and referred13-Jan-26
156 to the Senate committee on
157 Healthcare
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159 Read for the second time and placed12-Feb-26
160 on the calendar:
161 0 amendments
162
163 Read for the third time and passed19-Feb-26
164 as amended
165 Yeas 27
166 Nays 0
167 Abstains 1
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Patrick Harris,
Secretary.