

SB63 ENROLLED



1 SB63
2 TBV8D95-2
3 By Senator Orr
4 RFD: Healthcare
5 First Read: 13-Jan-26



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1 Enrolled, An Act,

2 Relating to health insurance; to impose limitations on
3 the use of artificial intelligence by health benefit plan
4 providers in making determinations of coverage under health
5 benefit plans; and to authorize the Department of Insurance of
6 the State of Alabama to investigate and impose disciplinary
7 action for violations.

8 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

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

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

20 (3) ENROLLEE. An individual to whom a health benefit
21 plan provider is contractually obligated to pay for or provide
22 medical benefits under a health benefit plan.

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

25 (5) HEALTH BENEFIT PLAN. a. Any plan, policy, or
26 contract issued, delivered, or renewed in this state that
27 provides medical benefits that include payment for
28 hospitalization, physician care, treatment, surgery, therapy,



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29 drugs, equipment, and any other medical expense, regardless of
30 whether the plan is for a group or individual.

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

37 (6) HEALTH BENEFIT PLAN PROVIDER. The term includes all
38 of the following:

39 a. Any entity that issues, delivers, or renews a health
40 benefit plan, including a person as defined in Section 27-1-2,
41 Code of Alabama 1975; a health maintenance organization
42 established under Chapter 21A of Title 27, Code of Alabama
43 1975; a nonprofit health care services plan established under
44 Article 6, Chapter 20 of Title 10A, Code of Alabama 1975; or a
45 nonprofit agricultural organization that offers health care
46 benefits pursuant to Chapter 33 of Title 2, Code of Alabama
47 1975.

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

50 c. Any separate entity that performs utilization review
51 as a contractor or agent of an entity described in paragraph
52 a.

53 (7) HEALTH CARE SERVICE. Diagnosing, testing,
54 monitoring, or treating a human disease, disorder, syndrome,
55 illness, or injury that may include, but not be limited to,
56 hospitalization, physician care, treatment, surgery, therapy,



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57 drugs, or medical equipment.

58 (8) INDIVIDUAL PLAN. A health benefit plan that is
59 purchased directly by an individual.

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

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

73 (b) (1) A health benefit plan provider that uses
74 artificial intelligence to make determinations of medical
75 necessity on requests for prior authorization under health
76 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) A health benefit plan provider shall certify
84 annually to the department that the artificial intelligence



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85 used to make determinations of medical necessity on requests
86 for prior authorization complies with all of the following:

87 a. The artificial intelligence does not rely on a group
88 dataset to make determinations.

89 b. The artificial intelligence is fairly and equitably
90 applied, including in accordance with any applicable
91 regulations and guidance issued by the U.S. Department of
92 Health and Human Services.

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

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

108 (c) A health benefit plan provider shall do all of the
109 following:

110 (1) Make prominent written disclosure regarding its use
111 of artificial intelligence in utilization review in its
112 policies and procedures.



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113 (2) Ensure that its use of artificial intelligence and
114 the outcomes that it generates are reviewed on a periodic
115 basis to maximize accuracy and reliability to ensure its use
116 of artificial intelligence in utilization review complies with
117 the requirements of 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 (4) The requirements under subsection (b) and this
124 subsection shall be satisfied by an attestation by an
125 authorized representative of the health benefit plan provider
126 based on reasonable reliance upon internal policies,
127 procedures, and third-party vendors.

128 (d) (1) When the department has reasonable grounds to
129 believe that a health benefit plan provider has or is engaged
130 in conduct that violates subsection (b), including making
131 determinations of prior authorization adverse to an enrollee
132 without taking into consideration the enrollee's medical
133 history and relevant clinical circumstances, the department
134 may notify the health benefit plan provider of the alleged
135 violation and the health benefit plan provider shall respond
136 to the notice within 30 days.

137 (2) If the department finds the response required in
138 subdivision (1) to be unsatisfactory, the department may hold
139 a hearing as provided in Article 1, Chapter 2 of Title 27,
140 Code of Alabama 1975.



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141 (3)a. If, upon hearing the case, the department
142 determines that the health benefit plan provider has or is
143 engaged in conduct that violates subsection (b), including
144 making determinations of prior authorization adverse to an
145 enrollee without taking into consideration the enrollee's
146 medical history and relevant clinical circumstances, the
147 department may impose a plan upon the health benefit plan
148 provider to correct procedures, policies, and guidelines to
149 bring the health benefit plan provider's utilization review
150 into compliance with this section.

151 b. For repeat violations of subsection (b), the
152 department may also exercise either or both of the following
153 disciplinary powers:

154 1. Impose an administrative fine of not more than five
155 thousand dollars (\$5,000) for a violation that occurred with
156 such frequency as to indicate a general business pattern or
157 practice. Administrative fines collected by the department
158 shall be deposited in the State Treasury to the credit of the
159 State General Fund.

160 2. Suspend or revoke the certificate of authority of
161 the health benefit plan provider for a violation that occurred
162 with such frequency as to indicate a general business pattern
163 or practice.

164 (4) The department shall require the health benefit
165 plan provider to reimburse the department the administrative
166 expenses incurred by the department in the investigation and
167 enforcement pursuant to this subsection. Administrative
168 expenses collected by the department shall be deposited in the



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169 State Treasury to the credit of the Special Examination
170 Revolving Fund.

171 (e) The department shall adopt rules to enforce this
172 section.

173 Section 2. This act shall become effective on October
174 1, 2026.



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President and Presiding Officer of the Senate

Speaker of the House of Representatives

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Senate 19-Feb-26

I hereby certify that the within Act originated in and passed the Senate, as amended.

Patrick Harris,
Secretary.

House of Representatives
Amended and passed: 08-Apr-26

Senate concurred in House amendment 08-Apr-26

By: Senator Orr