



House Insurance Reported Substitute for SB63

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BILL
TO BE ENTITLED
AN ACT

Relating to health insurance; to impose limitations on the use of artificial intelligence by health benefit plan providers 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 a health benefit plan provider 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



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29 by an employer or other entity on behalf of group members.

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

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

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

44 a. Any entity that issues, delivers, or renews a health
45 benefit plan, including a person as defined in Section 27-1-2,
46 Code of Alabama 1975; a health maintenance organization
47 established under Chapter 21A of Title 27, Code of Alabama
48 1975; a nonprofit health care services plan established under
49 Article 6, Chapter 20 of Title 10A, Code of Alabama 1975; or a
50 nonprofit agricultural organization that offers health care
51 benefits pursuant to Chapter 33 of Title 2, Code of Alabama
52 1975.

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

55 c. Any separate entity that performs utilization review
56 as a contractor or agent of an entity described in paragraph



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57 a.

58 (7) HEALTH CARE SERVICE. Diagnosing, testing,
59 monitoring, or treating a human disease, disorder, syndrome,
60 illness, or injury that may include, but not be limited to,
61 hospitalization, physician care, treatment, surgery, therapy,
62 drugs, or medical equipment.

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

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

73 (10) UTILIZATION REVIEW. The determination of requests
74 for prior authorization under a health benefit plan according
75 to the rules, health care service policies, and guidelines
76 adopted by a health benefit plan provider, or requirements
77 imposed by law, and applicable to a health benefit plan.

78 (b) (1) A health benefit plan provider that uses
79 artificial intelligence to make determinations of medical
80 necessity on requests for prior authorization under health
81 benefit plans shall base determinations on all of the
82 following:

83 a. The enrollee's medical history.

84 b. Any clinical circumstances unique to the enrollee



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85 which are presented by the requesting health care provider.

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

88 (2) A health benefit plan provider shall certify
89 annually to the department, as part of the certification
90 required by Section 27-3A-5, Code of Alabama 1975, that the
91 artificial intelligence used to make determinations of medical
92 necessity on requests for prior authorization complies with
93 all of the following:

94 a. The artificial intelligence does not rely on a group
95 dataset to make determinations.

96 b. The artificial intelligence is fairly and equitably
97 applied, including in accordance with any applicable
98 regulations and guidance issued by the U.S. Department of
99 Health and Human Services.

100 c. The artificial intelligence does not discriminate,
101 directly or indirectly, against any subscriber group or
102 enrollee in violation of state or federal law, including any
103 regulation or guidance issued by the U.S. Department of Health
104 and Human Services.

105 (3) In addition to the requirements listed in
106 subdivisions (1) and (2), a determination to deny, delay, or
107 modify a request for prior authorization based on medical
108 necessity shall always be made by a licensed physician or
109 other health care professional who is competent to evaluate
110 any recommendation or conclusion of artificial intelligence in
111 the light of the specific clinical issues involved in the
112 health care service requested which are unique to the



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113 enrollee's circumstances or as recommended by the treating
114 health care provider.

115 (c) A health benefit plan provider shall do all of the
116 following:

117 (1) Make prominent written disclosure regarding its use
118 of artificial intelligence in utilization review in its
119 policies and procedures.

120 (2) Ensure that its use of artificial intelligence and
121 the outcomes that it generates are reviewed on a periodic
122 basis to maximize accuracy and reliability to ensure its use
123 of artificial intelligence in utilization review complies with
124 the requirements of subsection (b).

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

130 (4) The requirements under subsection (b) and this
131 subsection shall be satisfied by an attestation by an
132 authorized representative of the health benefit plan provider
133 based on reasonable reliance upon internal policies,
134 procedures, and third-party vendors.

135 (d) (1) When the department has reasonable grounds to
136 believe that a health benefit plan provider has or is engaged
137 in conduct that violates subsection (b), including making
138 determinations of prior authorization adverse to an enrollee
139 without taking into consideration the enrollee's medical
140 history and relevant clinical circumstances, the department



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141 may notify the health benefit plan provider of the alleged
142 violation and the health benefit plan provider shall respond
143 to the notice within 30 days.

144 (2) If the department finds the response required in
145 subdivision (1) to be unsatisfactory, the department may hold
146 a hearing as provided in Article 1, Chapter 2 of Title 27,
147 Code of Alabama 1975.

148 (3) If, upon hearing the case, the department
149 determines that the health benefit plan provider has or is
150 engaged in conduct that violates subsection (b), including
151 making determinations of prior authorization adverse to an
152 enrollee without taking into consideration the enrollee's
153 medical history and relevant clinical circumstances, the
154 department may do any of the following:

155 a. Impose a plan upon the health benefit plan provider
156 to correct procedures, policies, and guidelines to bring the
157 health benefit plan provider's utilization review into
158 compliance with this section.

159 b. For repeat violations, impose upon the health
160 benefit plan provider the disciplinary measures provided in
161 Section 27-3A-6(d), Code of Alabama 1975.

162 (e) The department shall adopt rules to enforce this
163 section.

164 Section 2. This act shall become effective on October
165 1, 2026.