June 5, 2025

State Legislative Update: Artificial Intelligence and Health Policy

State legislatures across the country have introduced bills designed to regulate the use of artificial intelligence (AI) systems by health care entities. These proposals track bills enacted last year in Utah, Colorado, and California, which:

1. Promote transparency by requiring providers or insurers to disclose when an individual is interacting with an AI system—modeled after the Utah Artificial Intelligence Policy Act (UAIPA);
2. Create government offices to support future AI policy making and develop inventories of governmental uses of AI systems—modeled the UAIPA;
3. Establish risk-based frameworks for consumer protection, with protocols for developers and deployers of AI systems that may be substantial factors in a consequential decision such as diagnosing a patient—modeled after the Colorado Artificial Intelligence Act (CAIA) and the European Union's artificial intelligence law; and
4. Ensure human oversight of insurers' use of AI systems as part of their utilization management protocols—modeled after California SB 1120.

AMCP is tracking 96 bills introduced this year in 32 states. So far this year, 7 bills have been signed into law that impose transparency requirements on developers or deployers of AI systems (Utah HB 452 and Utah SB 226), establish government task forces to inventory AI uses and make policy recommendations (Kentucky SB 4, Mississippi SB 2426, and New York S 822), and place guardrails on the use of AI systems by health plans to make coverage determinations (Arizona HB 2175 and Maryland HB 820). Another bill passed this year in Utah (SB 332) extended the UAIPA through 2027.

Artificial Intelligence Bills Introduced in 2025
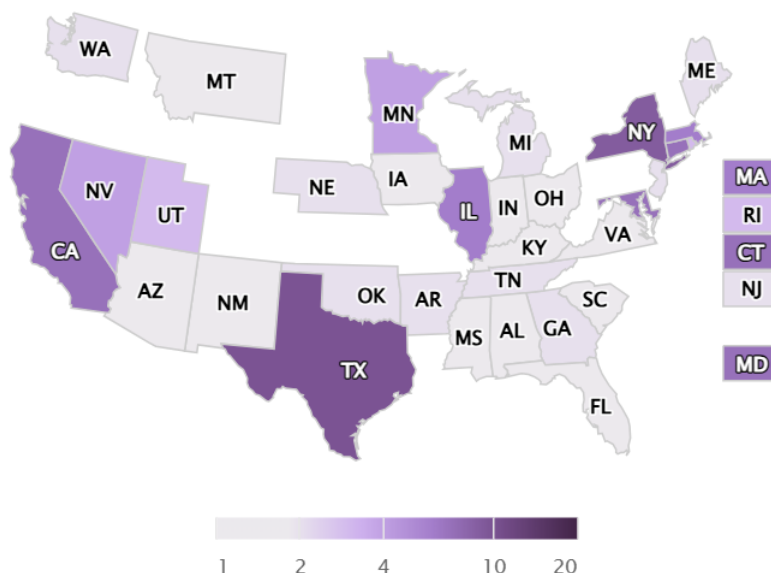
Regulating AI Systems for Coverage Determinations

The Arizona and Maryland laws are most likely to impact managed care pharmacists.

- Arizona HB 2175 requires that a health insurer's medical director individually review any claim or request for prior authorization before issuing a denial. The bill further stipulates that the medical director may not solely rely on recommendations from any other source. The bill was amended during the legislative process to remove specific references to AI systems—the initial version specified that "[a]rtificial intelligence may not be used to deny a claim or a prior authorization." These requirements are effective June 30, 2026.

- Maryland HB 820 requires health insurance carriers to disclose whether AI systems were used in making an adverse decision as part of their quarterly reporting to the Insurance Commissioner. The bill further establishes that carriers, or a pharmacy benefit manager (PBM) or utilization review agent that contracts with a carrier, may not use AI systems to deny, delay, or modify health care services. These entities must ensure that the use of AI systems does not, among other things, replace the role of a health care

provider in the determinations process, result in unfair discrimination or cause harm to an enrollee, or result in sole reliance on group datasets when making determinations. The bill requires health insurance carriers to make AI systems open to inspection by the Insurance Commission, maintain written policies on AI use as part of their utilization plan, and conduct quarterly reviews of the performance and outcomes of AI systems. These requirements become effective on October 1, 2025.

Risk-based Frameworks for AI Regulations

About 20 states are considering bills that establish a risk-based framework to classify and regulate AI systems across all industries, modeled after the CAIA. The CAIA, set to take effect in 2026, regulates high-risk AI systems that may be a substantial factor in a consequential decision and introduces consumer protections designed to prevent algorithmic discrimination and other potential harms. The law requires developers and deployers of high-risk AI systems; for health insurers, this includes maintaining risk management policies and performing regular evaluations of high-risk AI systems, notifying consumers when an AI system has been a substantial factor in a consequential decision, and providing consumers with the opportunity to appeal an adverse decision made using an AI system. Several exemptions were made to blunt the impact of the new regulations, including a carve-out for entities that are subject to the Health Insurance Portability and Accountability Act. Notably, governors have expressed concerns about regulating AI using a risk-based framework, including Colorado Gov. Jared Polis. Virginia is the only state legislature to pass a bill this year based on the CAIA (HB 2094)—Governor Youngkin vetoed the bill in March, citing concerns that the bill would stifle innovation and harm startups and small businesses.

State AI Regulations Threatened by Budget Reconciliation

The One Big, Beautiful Bill Act (H.R. 1), the budget reconciliation package that enacts President Trump's domestic policy priorities, includes a 10-year moratorium on the enforcement of any state or local government regulation impacting artificial intelligence (AI) systems. The bill would likely apply to both transparency provisions like the UAIPA as well as more stringent consumer protection requirements like the

CAIA. H.R. 1 contains a carve-out for regulations that treat AI systems the same as comparable non-AI systems, which could enable states to enforce rules that impact insurers' use of AI systems in utilization management protocols. Several Republicans expressed concern about the inclusion of the moratorium in the package that was passed by the House in May. AMCP will monitor negotiations over H.R. 1 in the Senate to see whether the moratorium is removed from the final bill. You can read AMCP's summary of the health provisions in H.R. 1 [here](#).