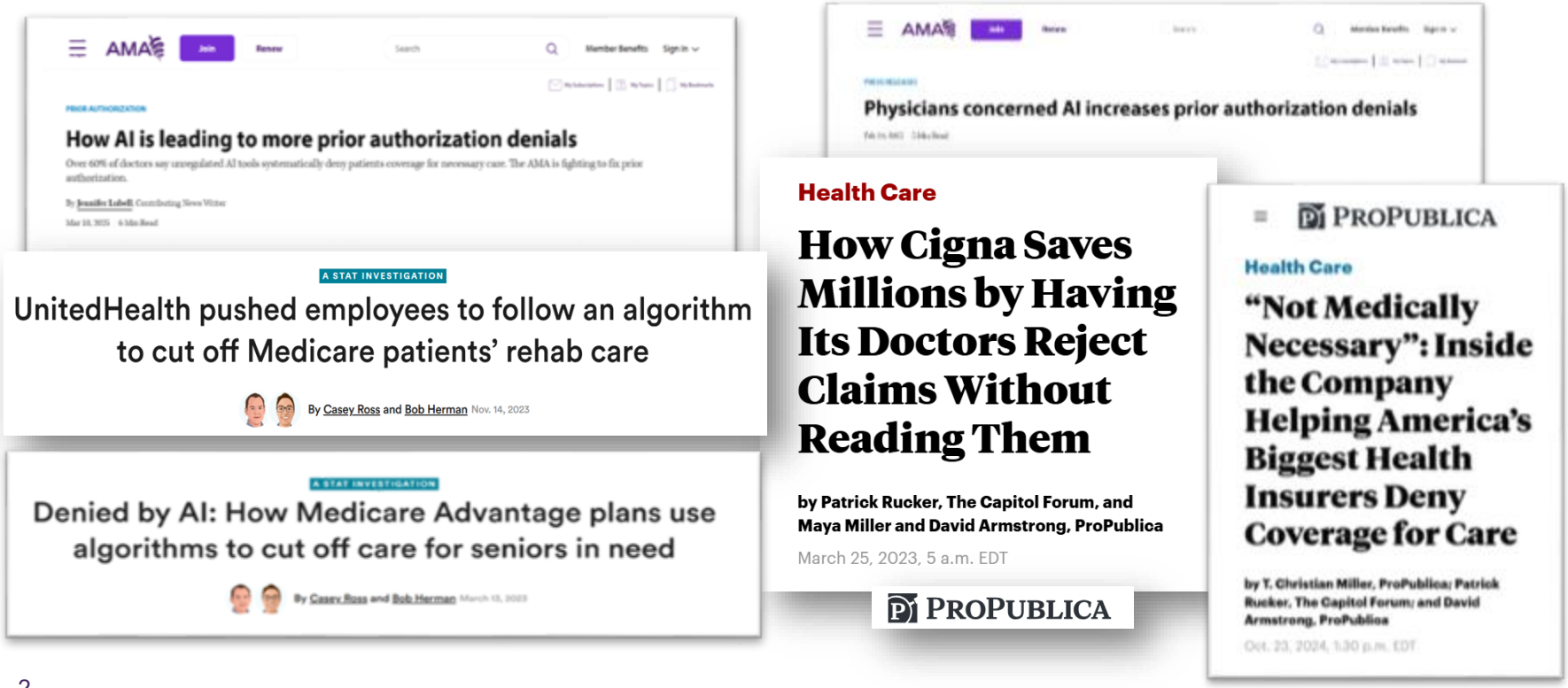
AMA
AMERICAN MEDICAL ASSOCIATION

Financial Services & Multi-Lines Issues Committee
National Council of Insurance Legislators

Model act on insurer's use of AI

July 17, 2025

Health plans are using AI in the claims process



It’s important to get it right the first time

- AMA survey: 75% of physicians say denials have increased in the last 5 years, but only 20% say they always appeal—reasons being perceived outcome, lack of resources, urgency of care.
- KFF study: 11.7% of MA prior authorization denials were appealed but 81.7% of appeals were overturned.
- KFF survey: patients who experienced claim denials, 26% experienced significant treatment delays, 24% unable to receive recommended care, 24% experienced a decline in health, and 55% reported paying more for care than they had expected

61% of physicians report that they are concerned that AI increases/will increase prior authorization denial rates.

States are establishing guardrails on health plan use of AI

California (SB 1120, 2024): AI tools used for UR decisions must not supplant individualized provider decision-making; not directly or indirectly discriminate; be fairly and equitably applied; and be open to audit for compliance. AI tool cannot deny, delay, or modify services based on medical necessity and decisions must only be made by a physician or health care professional competent to evaluate the specific clinical issues involved.

Illinois (HB 2472, 2024): requires health plan to ensure that only clinical peers issue denials based on medical necessity.

Arizona (HB 2175, 2025): requires before a plan can deny a claim based on medical necessity, medical director must individually review the denial, exercising independent medical judgment without relying solely on recommendations from any other source.

Maryland (HB 820, 2025): info on whether AI was used in making an adverse decision reported to Commissioner; health plans ensure AI tools used for UR (1) base determinations on the patient's individual medical history and clinical circumstances and not on group datasets; (2) do not replace the judgment of healthcare providers in the decision-making process; (3) avoid discrimination against patients; (4) undergo regular reviews related to accuracy and reliability; (5) do not use patient data beyond intended/stated purposes.

Nebraska (LB 77, 2025): AI algorithm cannot be the sole basis of a plan's decision to deny, delay, or modify health care services based, in whole or in part, on medical necessity; plans must disclose use of AI in UM system.

AMA policy calls for patient protections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Augmented Intelligence Development, Deployment, and Use in Health Care

BACKGROUND

The issue of AI first presented itself as an area of potential interest to AMA physicians and medical students that necessitated creation of AMA policy in 2018. At that time, physicians and medical students primarily considered AI-enabled technologies within the context of medical device and clinical decision support, although administrative applications of AI began to grow exponentially and started to gain traction in the hospital, health system, and insurer space. Since the development of the AMA's foundational AI policy in 2018 and subsequent policy on coverage and payment for AI in 2019, the number of AI-enabled medical devices approved by the U.S. Food and Drug Administration (FDA) has grown to over 800. In 2022, the concept of "generative AI" and what it can do became better understood to the public. Generative AI is a broad term used to describe any type of artificial intelligence that can be used to create new text, images, video, audio, code, or synthetic data. Generative AI and LLMs have rapidly transformed the use cases and policy considerations for AI within health

There should be stronger regulatory oversight, transparency, and audits when payors use automated decision-making tool for coverage, claim determinations, and benefit design.

Any automated decision-making tool recommendation that indicates limitations or denials of care should be referred for review to a physician licensed to practice medicine in the state and of the same specialty as the physician who typically manages the medical condition or disease prior to issuance of a final determination.

Use of automated decision-making should not replace the individualized assessment of a patient's specific medical and social circumstances and should never create or exacerbate access barriers to needed benefits by increasing denials, coverage limitations, or limiting benefit offerings.

Use of automated decision-making systems that determine coverage limits, make claim determinations, and engage in benefit design should be publicly reported, based on easily accessible evidence-based clinical guidelines, and disclosed to both patients and their physician in a way that is easy to understand; patients and physicians should be informed and empowered to question a payor's automated decision-making.

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