

# State Legislative Activity: AI in health care

**August 2025**

Compared to 2024, we have seen a sharp increase in the number of state bills introduced related to AI in health care, with more than 250 bills introduced to date. While this signals growing interest among state lawmakers on this topic, there appears to be some hesitancy in taking action, as only a small fraction of bills introduced this year have been enacted. Following is a non-exhaustive list of AI in health care legislation enacted to date.

## Health plan and payor use of AI

Health plan and payor of AI was a common topic for state legislation this year. To date, legislation has been enacted in four states this year: Arizona, Maryland, Nebraska, and Texas.

Maryland enacted H.B. 820 this year. Under the new law, information on whether “an artificial intelligence, algorithm, or other software tool was used” in making an adverse decision will be reported quarterly to the Insurance Commissioner. Additionally, the law mandates that health plans, pharmacy benefits managers, and private review agents ensure that AI, algorithms, or other software tools used for utilization review (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 health care providers in the decision-making process; (3) avoid discrimination against patients; (4) undergo regular reviews related to accuracy and reliability; and (5) do not use patient data beyond its intended and stated purposes.

After several iterations, Arizona enacted H.B. 2175 this year. While earlier versions were focused on the use of AI in claims determination, the new law now simply requires that before a health plan can deny a claim on the basis of medical necessity, the medical director must individually review the denial, exercising independent medical judgment without relying solely on recommendations from any other source.

As part of a large prior authorization reform bill in Nebraska (LB 77), the legislature required that 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.

Finally, a new law in Texas (S.B. 815) prohibits a utilization review agent from using an automated decision system to “make, wholly or partly, an adverse determination,” while the use of algorithms, AI, or automated decision systems for administrative support or fraud detection is permitted. S.B. 815 also clarifies that the Commissioner of Insurance has authority to audit and inspect the use of these health plan tools.

## Creation of task forces and state inventory of AI

At least seven states—Kentucky, Maryland, Mississippi, Montana, New York, Texas, and West Virginia—enacted legislation requiring the creation of an AI task force. Many of these task forces or work groups are directed to study current state laws or regulations that may impact AI, AI use by state agencies, and/or more broadly study AI use across various sectors, including health care. Several states also passed legislation to inventory AI tools used by state agencies.

Texas, H.B. 149, the Texas Responsible Artificial Intelligence Governance Act (TRAIGA 2.0), an omnibus bill signed into law by Governor Abbott in June. While the bill includes many provisions, notable for this section is language created the Texas Artificial Intelligence Council which is comprised of seven experts appointed by the Governor and charged with numerous tasks focused on AI (not specific to AI in health care), such as ensuring AI systems in the state are ethical and developed in the best interest of the public, studying the current regulatory environment for AI systems, and offering guidance and recommendations to the legislature on the ethical and legal use of AI systems.

## Use of AI in clinical care

Several states have addressed AI use in the delivery of health care, often limiting AI use in certain circumstances and/or requiring disclosure to patients. Texas and Utah passed laws related to AI use in clinical care, while Illinois, Nevada, and Utah passed legislation specifically targeting AI use in mental or behavioral health services. Many of these bills also addressed patient disclosure when AI is used in their health care.

### Texas Senate Bill 1188 and House Bill 149

Among several AI bills passed by the Texas legislature this year, S.B. 1188 specifically addresses AI use in clinical care. The law permits the use of AI for diagnostic purposes, which includes recommending a diagnosis or course of treatment, if the practitioner discloses the use of AI to the practitioner's patients and the following conditions are met:

1. The practitioner is practicing within the scope of the practitioner's license;
2. The particular use of AI is not otherwise restricted or prohibited by state or federal law; and
3. The practitioner reviews all the records created with AI in a manner that is consistent with medical records standards developed by the Texas Medical Board.

Separately, H.B. 149 requires disclosure to patients when an AI system is used in a health care service or treatment, which is defined as "services related to human health or the diagnosis, prevention, or treatment of a human disease or impairment provided by an individual license...to provide those services."

### Utah Senate Bill 332 and Senate Bill 226 – disclosure of generative AI use in clinical care

Utah passed three AI-related bills this year. One addresses mental health chatbots (discussed below), while two others amended a 2024 consumer protection law requiring regulated occupations, including physicians, to disclose the use of generative AI in any written or verbal communication. One of these bills, S.B. 332, extends the disclosure law's effective date through July 2027, while S.B. 226 narrows the 2024 law to "high-risk AI interactions." These are defined as interactions involving collecting personal information (including health information) and providing personalized recommendations, advice, or information that could reasonably be relied upon to make personal decisions, including medical decisions. For regulated occupations, including physicians, individuals using generative AI must now "prominently disclose" when the person receiving services is interacting with generative AI, if the use meets the definition of a "high-risk AI interaction." This disclosure must be provided at the start of the interaction or when regulated services are provided.

### Nevada House Bill 406 – AI use in mental health

Nevada H.B. 406 adds a new section to the state's mental health statutes targeting AI providers. The bill prohibits the use of AI in mental health care, specifically prohibiting the use of an AI system that would provide a service or experience that would constitute the practice of professional mental or behavioral health care if provided by a natural person. The bill also prohibits AI providers from knowingly programing AI systems or making statements claiming:

1. That the AI can provide mental or behavioral health care,
2. That users may interact with the AI system to simulate human conversation for professional mental or behavioral health care, or
3. That any component or feature (e.g., avatar) of the AI system is a mental or behavioral health care provider.

### **Illinois House Bill 1806 – AI use in mental health**

Illinois H.B. 1806 creates the Illinois Wellness and Oversight for Psychological Resources Act, focusing on AI use in therapy or psychotherapy. Notably the bill does not apply to physicians.

The bill prohibits any individual or corporation from providing therapy or psychotherapy services, including through AI, unless conducted by a licensed professional, which is defined in the act and does not include physicians. It also prohibits licensed professionals from using AI to:

1. Make independent therapeutic decisions,
2. Directly interact with clients in any form of therapeutic communication,
3. Generate therapeutic recommendations or treatment plans without review and approval by a licensed professional, or
4. Detect human emotions or mental states.

However, the bill permits the use of AI for administrative or supplementary support, such as preparing client records and therapy notes. In cases where client sessions are recorded or transcribed, AI may only provide supplementary support if patients are informed in writing about AI use and provide consent. This bill passed both chambers in June and awaits Governor Pritzker's signature.

### **Utah House Bill 452 – mental health chatbots**

Utah H.B. 452 focuses on AI use by mental health chatbots. Rather than prohibiting the use of AI mental health chatbots, the law establishes disclosure requirements, protections for personal information acquired by the chatbot, and restrictions on advertising.

Regarding disclosure, the law requires mental health chatbot suppliers to clearly and conspicuously inform patients that they are interacting with an AI chatbot rather than a human. The law also provides an affirmative defense to liability if the entity that owns the AI chatbot meets certain requirements.

## **Health care chatbots and AI companions**

Several legislatures addressed AI-enabled chatbots this year, interestingly those bills enacted do not prohibit AI chatbots or AI companions but instead focus on disclosure requirements and protocols protecting users from self-harm or from harming others.

### **Maine H.P. 1154 – AI chatbots**

In addition to Utah's mental health chatbot law discussed above, Maine enacted legislation which addresses the use of chatbots more broadly. Maine HP 1154 prohibits chatbots or the use of similar technology that misleads consumers into believing they are engaging with a human unless consumers receive clear and conspicuous notification that they are not engaging with a human being.

**New York Senate Bill 3008 – AI companions**

New York S.B. 3008, which could apply to chatbots, adds a provision to New York's General Business Law related to AI companions, defined as "a system using artificial intelligence, general artificial intelligence, and/or emotional recognition algorithms designed to stimulate a sustained human-like relationship..."

The bill prohibits AI companion use or operation unless the AI companion contains protocols making reasonable efforts to detect and address suicidal ideations or expressions of self-harm. Operators must also provide a clear and conspicuous notification to users at the beginning of any interaction and at least every three hours that the user is not communicating with a human.

**Texas House Bill 149**

Finally, Texas H.B. 149 includes language that prohibits the development or deployment of an AI system that intentionally aims to incite or encourage a person to commit physical self-harm, harm others, or engage in criminal activity. Any violations may be enforced by the Attorney General and can result in civil penalties, injunctive relief, and/or recovery of attorney's and related costs.

**Transparency**

This year, transparency legislation mirroring Colorado's 2024 transparency law (S.B. 24-205) was introduced in numerous states, however, none passed in forms similar to Colorado's law. In addition, Colorado's legislature sought to amend their 2024 transparency law, but the introduced bill was ultimately never brought to a vote.

In his signing statement for the 2024 bill, Governor Polis asked the legislature to reconsider several provisions and offer legislation with key amendments during the 2025 legislative session. A task force convened to discuss and reach agreement on these amendments. However, the 2025 bill sponsor ultimately withdrew the bill due to concerns raised by the tech and business communities that the bill did not go far enough in pulling back some of the requirements. Consequently, S.B. 24-205 will take effect in February 2026. The Governor may force a special legislative session to address this issue, or there remains a small window of opportunity in the 2026 legislative session to reach agreement on necessary changes or delay implementation to allow more time for discussion.

**Virginia House Bill 2094**

Virginia's legislature passed H.B. 2094, the High-Risk Artificial Intelligence Developer and Deployer Act, which was largely based on Colorado's 2024 transparency law. Governor Youngkin, however, ultimately [vetoed](#) the bill, stating "it would establish a burdensome artificial intelligence regulatory framework."

**Other state activity****Oregon House Bill 2748**

Oregon H.B. 2748 prohibits nonhuman entities, including AI-powered agents, from using the following titles or abbreviations, advanced practice registered nurse (APRN), certified registered nurse anesthetist (CRNA), clinical nurse specialist (CNS), licensed practical nurse (LPN), registered nurse (RN), nurse practitioner (NP), certified medication aide (CMA), or certified nursing assistant (CNA).

### California Attorney General Legal Advisories on Artificial Intelligence

Earlier this year, California Attorney General Rob Bonta released two legal advisories on artificial intelligence, specifically reminding consumers and businesses operating in the state about numerous existing state laws that apply to AI.

The [first legal advisory](#) provides guidance to consumers and entities that develop, sell, and use AI in the state. The [second legal advisory](#) focuses on AI use in health care and provides guidance to health care providers, insurers, vendors, investors, and those who develop, sell, and use AI and other automated decision systems in health care.

Both advisories remind these entities that numerous existing laws apply to AI, including laws related to consumer protection, civil rights, competition, and data privacy.

### National Association of Insurance Commissioners

The National Association of Insurance Commissioners' (NAIC's) Big Data and Artificial Intelligence (H) workgroup group is spending significant time and resources examining the use of AI in insurance. Last year, NAIC released a model bulletin for states to consider adopting. Bulletins are not enforceable as law or regulation, but are meant to set expectations for, in this case, insurers. The model bulletin serves to remind insurers that when they are using AI in decisions that impact consumers they are required to comply with existing laws that may govern such actions including unfair trade practice acts and other consumer protections laws. The bulletin also outlines minimum requirements for governance frameworks and sets expectations for insurers about the information that regulators may request during exams or investigations. So far, 24 states have adopted the bulletin.

The Committee also recently released [data](#) on health plan use of AI, including in the use of contracting, fraud detection, pricing, plan design, risk adjustment, risk management, marketing, data processing, and importantly, claims determinations.. These data will help provide insight into how health plans are using AI and will be helpful as medical societies and other stakeholders continue to evaluate legislation related to payor use of clinical algorithms and AI in making medical necessity determinations.

Finally, the Committee is in the process of determining whether it will pursue model legislation or regulation on the use of AI by insurers, including health insurers, in the coming months. While there has been push back by health insurers and other payors against such an effort, many other stakeholders, including many consumer organizations are supportive of NAIC developing a national model.

### National Council of Insurance Legislators (NCOIL)

At its Annual Summer Meeting, the National Council of Insurance Legislators' (NCOIL's) Financial Services & Multi-Lines Issues Committee considered [draft legislation](#) on insurers' use of artificial intelligence and specifically in the claims process. The Committee heard from stakeholders including the AMA, who supported guardrails around health plans' use of AI in the claims determination process, while representatives from the insurance industry discouraged the committee from developing any model, calling it premature. It seems likely that the committee will continue to discuss potential model legislation at upcoming meetings.