

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

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HOUSE BILL 565
Committee Substitute Favorable 4/8/25
Committee Substitute #2 Favorable 4/29/25
Senate Health Care Committee Substitute Adopted 6/3/26
Senate Judiciary Committee Substitute Adopted 6/23/26

Short Title: Limit Use of AI Medicaid/Commercial Insurance. (Public)

Sponsors:

Referred to:

March 31, 2025

1 A BILL TO BE ENTITLED
2 AN ACT TO LIMIT THE USE OF ARTIFICIAL INTELLIGENCE IN HEALTHCARE
3 BILLING AND CLAIMS SUBMISSION.

4 The General Assembly of North Carolina enacts:

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6 **PART I. PROHIBIT THE USE OF ARTIFICIAL INTELLIGENCE IN UTILIZATION**
7 **REVIEW**

8 **SECTION 1.(a)** G.S. 58-50-61 reads as rewritten:

9 "**§ 58-50-61. Utilization review.**

10 (a) Definitions. – The following definitions apply in this section, in G.S. 58-50-62, and
11 in Part 4 of this Article:

12 (1) "Artificial intelligence" has the same meaning as the term is defined in section
13 238(g) of the John S. McCain National Defense Authorization Act for Fiscal
14 Year 2019, Public Law No. 115-232, 132 Stat. 1636 (2018).

15 ~~(1a)~~(1a) "Certificate of coverage" includes a policy of insurance issued to an individual
16 person or a franchise policy issued pursuant to G.S. 58-51-90.

17 ~~(1a)~~(1b) "Clinical peer" means a health care professional who holds an unrestricted
18 license in a state of the United States, in the same or similar specialty, and
19 routinely provides the health care services subject to utilization review.

20 ...

21 (p) Artificial Intelligence. – An artificial intelligence-based algorithm shall not be used
22 as the sole basis to deny a utilization review determination."

23 **SECTION 1.(b)** The Department of Health and Human Services, Division of Health
24 Benefits (DHB), shall, as soon as practicable, amend DHB's contracts with prepaid health plans
25 to include a prohibition on the use of an artificial intelligence-based algorithm as the sole basis
26 to deny a utilization review or prior authorization determination. For the purposes of this section,
27 "artificial intelligence" is as defined in section 238(g) of the John S. McCain National Defense
28 Authorization Act for Fiscal Year 2019, Public Law No. 115-232, 132 Stat. 1636 (2018).

29 **SECTION 1.(c)** Subsection (a) of this section is effective October 1, 2026, and
30 applies to insurance contracts issued, amended, or renewed on or after that date.

31
32 **PART II. LIMIT THE USE OF ARTIFICIAL INTELLIGENCE IN HEALTHCARE**
33 **PROVIDER BILLING**



1 SECTION 2.(a) Article 29 of Chapter 90 of the General Statutes reads as rewritten:

2 "Article 29.

3 "~~Medical Records~~Records and Billing.

4 "**§ 90-410. Definitions.**

5 ~~As used~~The following definitions apply in this Article:

- 6 (1) Artificial intelligence or AI. – As defined in section 238(g) of the John S.
 7 McCain National Defense Authorization Act for Fiscal Year 2019, Public Law
 8 No. 115-232, 132 Stat. 1636 (2018).
- 9 (2) Developer. – A person or entity that designs, trains, or materially modifies an
 10 AI system or other technology solution at the model or system level in a
 11 manner that affects the system's outputs or decision making.
- 12 ~~(1)(3)~~ "Health care provider" means any Health care provider or healthcare provider.
 13 – Any person who is licensed or certified to practice a health profession or
 14 occupation under this Chapter or Chapters 90B or 90C of the General Statutes,
 15 a health care facility licensed under Chapters 131E or 122C of the General
 16 Statutes, and a representative or agent of a health care provider.
- 17 ~~(2)(4)~~ "Medical records" means personal Medical records. – Personal information
 18 that relates to an individual's physical or mental condition, medical history, or
 19 medical treatment, excluding X rays and fetal monitor records.
- 20 (5) Upcode. – The submission of billing codes that represent a higher level of
 21 service, severity, or risk than is supported by the clinical services rendered.

22 ...

23 "**§ 90-413. Limitations on AI in healthcare billing.**

24 (a) Developers shall not design, train, or materially modify an AI system for use in
 25 healthcare coding, billing, or documentation if the system is designed to promote, incentivize, or
 26 systematically result in upcoding. Healthcare providers shall not use an AI system for healthcare
 27 coding, billing, or documentation if the system is designed to promote, incentivize, or
 28 systematically result in upcoding.

29 (b) The repeated failure of a developer or a healthcare provider to comply with this
 30 section shall indicate a general business practice that is deemed to be an unfair and deceptive
 31 trade practice and shall be actionable under Chapter 75 of the General Statutes; however,
 32 notwithstanding the provisions of G.S. 75-16, only the Attorney General may bring an action
 33 pursuant to this subsection. No action may be brought by a private individual. Nothing in this
 34 Article shall foreclose other remedies available under law or equity."

35 SECTION 2.(b) Chapter 108C of the General Statutes is amended by adding a new
 36 section to read:

37 "**§ 108C-15. Artificial intelligence compliance attestation.**

38 (a) Beginning July 1, 2027, and on an annual schedule thereafter to be determined by the
 39 Department for individual providers, each healthcare provider, or an agent of the healthcare
 40 provider, must submit an attestation of compliance with G.S. 90-413 to the Department and
 41 provide a copy to the Attorney General. All of the following shall apply to the attestation:

- 42 (1) The attestation shall be submitted in a form and manner prescribed by the
 43 Department.
- 44 (2) The attestation shall be signed by an authorized representative of the
 45 healthcare provider.
- 46 (3) The attestation shall include any supporting information required by rule to
 47 verify compliance with G.S. 90-413.

48 (b) Submission of the attestation under this section shall be a condition of participation
 49 in the Medicaid program. The Department may deny enrollment or terminate the enrollment of a
 50 healthcare provider who is not in compliance with this section or with G.S. 90-413.

51 (c) The Department may adopt rules to implement this section."

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PART III. EFFECTIVE DATE

SECTION 3. Except as otherwise provided, this act is effective when it becomes law.