



# HOUSE BILL 565: Limit Use of AI Medicaid/Commercial Insurance.

2025-2026 General Assembly

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<b>Committee:</b>	Senate Judiciary. If favorable, re-refer to Rules and Operations of the Senate	<b>Date:</b>	June 23, 2026
<b>Introduced by:</b>	Reps. Reeder, Potts, Shepard, Huneycutt	<b>Prepared by:</b>	Jason Moran-Bates
<b>Analysis of:</b>	Fourth Edition		Staff Attorney

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**OVERVIEW:** *House Bill 565 would prohibit insurers and Medicaid prepaid health plans (PHP) from using artificial intelligence (AI) as the sole basis for denying a utilization review determination. It would also prohibit the use of AI to change procedure, diagnosis, or billing codes to reflect a higher level of risk or care provided than was supported by the clinical record, and Medicaid providers would have to annually attest to compliance with that provision.*

## **BILL ANALYSIS:**

Section 1 of the bill would prohibit private insurers from using AI as the sole basis for denying a utilization review determination. It would also require the Department of Health and Human Services (DHHS) to amend its contracts with PHPs to include similar prohibitions.

Section 2 of the bill would define "upcode" to mean "the submission of billing codes that represent a higher level of service, severity, or risk than is supported by the clinical services rendered." It would prohibit the development or use of AI in a way that is designed to promote, incentivize, or systematically result in upcoding. The repeated failure of an AI developer or healthcare provider to comply with this provision would be an unfair and deceptive trade practice under Chapter 75.

Beginning July 1, 2027, Section 3 of the bill would require healthcare providers who participate in the Medicaid program, as a condition of participation, to annually file an attestation with the Department of Health and Human Services and the Attorney General that they are compliant with the law regarding AI upcoding limitations.

**EFFECTIVE DATE:** The provisions related to utilization review would be effective October 1, 2026, and apply to insurance contracts entered into, amended, or renewed, and healthcare claims submitted on or after that date. The remainder of the bill would be effective when it becomes law.

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