

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 987 (Senator Lam)
 Finance

Artificial Intelligence - Health Software and Health Insurance Decision Making

This bill requires the Maryland Health Care Commission (MHCC) to maintain a registry of artificial intelligence (AI) health software that may be distributed or operated in the State. A person may not distribute or operate AI health software unless it is registered with MHCC. MHCC may fine a person who distributes or operates unregistered AI health software. MHCC must adopt specified regulations regarding AI health software. The bill also prohibits a “carrier” from using AI to decide or directly influence a health care decision or a decision directly related to health care.

Fiscal Summary

State Effect: MHCC special fund expenditures increase by \$86,100 in FY 2026 for personnel to create and maintain the database. Future years reflect annualization. The Maryland Insurance Administration can enforce the prohibition during its regular market conduct exams of carriers. To the extent fines are imposed, special fund revenues increase by an indeterminate amount beginning as early as FY 2026.

(in dollars)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
SF Revenue	-	-	-	-	-
SF Expenditure	\$86,100	\$102,500	\$107,000	\$111,800	\$116,500
Net Effect	(\$86,100)	(\$102,500)	(\$107,000)	(\$111,800)	(\$116,500)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary:

Registry of Artificial Intelligence Health Software

MHCC may fine a person who distributes or operates unregistered AI health software up to \$10,000 per day the violation occurred. The amount of the fine must be based on (1) the extent of actual or potential harm; (2) the cost of investigating the violation; and (3) whether the person committed previous violations.

MHCC must adopt regulations that (1) define AI health software; (2) determine the information about such software to be collected for the registry; and (3) set a registration deadline for when MHCC will begin to issue fines to a person that distributes or operates unregistered AI health software in the State.

Prohibition on Carriers

“Carrier” means an insurer, nonprofit health service plan, health maintenance organization, dental plan organization, or any other person that provides health benefit plans subject to regulation by the State. The bill’s prohibition may not be construed to prohibit a carrier from using AI to perform tasks or make decisions that are not related to health care.

Current Law: “Artificial intelligence” means a machine-based system that (1) can, for a given set of human-defined objectives, make predictions, recommendations, or decisions influencing real or virtual environments; (2) uses machine and human-based inputs to perceive real and virtual environments and abstracts those perceptions into models through analysis in an automated manner; and (3) uses model inference to formulate options for information or action.

State Expenditures: MHCC special fund expenditures increase by \$86,109 in fiscal 2026, which accounts for the bill’s October 1, 2025 effective date. This estimate reflects the cost of hiring one software expert to develop and maintain the registry of AI health software, work with stakeholders to develop regulations, and manage enforcement. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1.0
Salary and Fringe Benefits	\$78,740
Operating Expenses	<u>7,369</u>
Total FY 2026 State Expenditures	\$86,109

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Additional Comments: According to the National Association of Insurance Commissioners (NAIC), AI has the potential to impact the insurance industry in multiple ways. Claims management can be augmented using AI and machine learning techniques. In 2020, an NAIC Big Data and Artificial Intelligence Working Group developed [regulatory guidance](#) on AI that was adopted by the full NAIC membership.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Department of Information Technology; Maryland Department of Health; Maryland Insurance Administration; Department of Legislative Services

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Analysis by: Jennifer B. Chasse

Direct Inquiries to:
(410) 946-5510
(301) 970-5510