

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1385 (Delegate Hill, *et al.*)
 Health

Health Insurance - Use of Artificial Intelligence - Human Evaluation

This bill requires an audit or compliance review of an artificial intelligence (AI), algorithm, or other software tool used by a health insurance carrier to include the human evaluation of a patient’s medical records by a licensed health care professional that takes into consideration the patient’s specific circumstances and allows the health care professional to question, modify, or override a determination made by the AI, algorithm, or software tool. A review of the performance, use, and outcomes of AI, algorithm, or other software tools must include (1) a human evaluation of the real-world health outcomes of decisions made by the AI, algorithm, or software tool and (2) use of the findings made by the evaluation to improve the AI, algorithm, or software tool and make the decisions of the AI, algorithm, or software tool safer, more accurate, and more responsive to patient needs.

Fiscal Summary

State Effect: Special fund expenditures for the Maryland Insurance Administration (MIA) increase by \$99,700 in FY 2027 for personnel. Future years reflect annualization and ongoing costs. Revenues are not affected.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	99,700	118,200	123,600	129,200	134,800
Net Effect	(\$99,700)	(\$118,200)	(\$123,600)	(\$129,200)	(\$134,800)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Per Chapter 747 of 2025, a carrier, a pharmacy benefits manager (PBM), or a private review agent (PRA) that uses AI, algorithms, or other software tools for utilization review (including working through an entity that uses such tools) must ensure that such tools are used in a specified manner. Accordingly, a carrier, PBM, or PRA must ensure that:

- an AI, algorithm, or other software tool bases its determinations on an enrollee's medical or other clinical history, individual clinical circumstances as presented by a requesting provider, or other relevant clinical information;
- an AI, algorithm, or other software tool does not base its determinations solely on a group dataset;
- the criteria and guidelines for using an AI, algorithm, or other software tool for making determinations comply with the requirements of the Insurance Article;
- an AI, algorithm, or other software tool does not replace the role of a health care provider in the PRA process;
- the use of an AI, algorithm, or other software tool does not result in unfair discrimination;
- an AI, algorithm, or other software tool is fairly and equitably applied, including in accordance with any applicable federal regulations and guidance;
- an AI, algorithm, or other software tool is open to inspection for audit or compliance reviews by the Insurance Commissioner;
- specified written policies and procedures are included in the utilization review plan that a PRA must submit to the Commissioner;
- the performance, use, and outcomes of an AI, algorithm, or other software tool are reviewed and revised, if necessary and at least on a quarterly basis, to maximize accuracy and reliability;
- patient data is not used beyond its intended and stated purpose; and
- an AI, algorithm, or other software tool does not directly or indirectly cause harm to an enrollee.

An AI, algorithm, or other software may not deny, delay, or modify health care services.

State Expenditures: MIA special fund expenditures increase by \$99,736 in fiscal 2027, which accounts for the bill's October 1, 2026 effective date. This estimate reflects the cost of hiring one utilization review coordinator (who must also be a licensed health care professional) to perform audit and compliance reviews of the AI, algorithms, or other software tools used by carriers, including the evaluation of patient medical records. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1.0
Salary and Fringe Benefits	\$90,595
Operating Expenses	<u>9,141</u>
Total FY 2027 State Expenditures	\$99,736

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

Additional Information

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

Designated Cross File: None.

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

Fiscal Note History: First Reader - March 11, 2026
caw/ljm

Analysis by: Jennifer B. Chasse

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