AI in Health Care

Opportunities, Concerns, & Recommendations

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August 20, 2026

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Texas Laws Impacting the Use of AI

Texas's existing insurance rules already constrain what AI can do. For example:

- Physician-only denials & appeals — PA denials and appeals must be decided by a physician, not an algorithm. AI never had the ability to make either call.
- State-mandated payment timelines — prompt-pay deadlines, penalties, and appeals apply no matter what tool processes a claim.

SB 815

Bans AI-only coverage denials

Protects AI for administrative support and fraud detection. The Commissioner can audit an insurer's use of automated decision systems at any time.

HB 149 (TRAIGA)

Requires disclosure in diagnosis & treatment

Providers must disclose AI use that shapes a diagnosis or treatment. TDI keeps sole regulatory authority over insurance AI.

SB 1188

Physician sign-off on AI-drafted notes

AI-drafted clinical notes require physician review and sign-off. Texas patient data must stay in the United States.

TRAIGA's limitation: the disclosure duty only reaches AI used in diagnosis or treatment — it says nothing about AI used to code or bill that same visit.

Source: SB 815, HB 149, SB 1188 (89th Texas Legislature, 2025)

Insurers Are Adopting AI for Efficiency & Cost Savings

Speed and efficiency, fraud prevention, and the scale of the opportunity

Speed & Efficiency

- **Under 30 sec** — OptumRx's AI tool cut Rx prior-auth time from 8.5 hrs to under 30 sec
- **11–15%** reduction in prior authorization volume industry-wide, freeing reviewers for complex cases
- **~80%** of PA requests approved automatically when documentation is sufficient — denials still require a human
- **1 full business day saved** — one Texas health plan automated intake of faxed PA requests
- **25% faster** PA response times when AI pulls records directly from a provider's EMR

Fighting Fraud, Waste & Abuse

- AI helps detect fraud patterns before claims are paid — explicitly protected under Texas law (SB 815 §4201.156(c))
- CMS's WISeR model deploys AI to flag wasteful or inappropriate Medicare services in 6 states, including Texas

THE SCALE OF THE OPPORTUNITY

$6.3B–15B

in administrative and medical cost savings — based on estimates from McKinsey and total Texas health insurance premium.

Source: Managed Healthcare Executive (BCBSA/AHIP survey); AHIP/NCSL; CMS WISeR fact sheet; McKinsey

Health Plans Using AI to Improve Patient Engagement

Example: Blue Cross Blue Shield's "ForeCost"

An AI + human-centered-design model that flags members likely to need a shoppable procedure (CT scan, MRI, X-ray) in the next 30 days and proactively connects them to lower-cost, comparable-quality care options.

PROJECTED ANNUAL SAVINGS

$6M–$30M

for one HCSC line of business

EARLY PILOT, 1,700 MEMBERS

~$80,000

in medical costs saved

WEIGHTED-AVERAGE SAVINGS

$605

per member in that pilot

Reported gains in member engagement and education, alongside lower costs — the model has since been scaled.

Source: HCSC ("ForeCost"), 2025 Gartner Eye on Innovation Awards for Healthcare and Life Sciences

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AI Improving the Member Experience

Example: BCBS Intelligent Connect

AI-driven call routing that predicts a member's call complexity at the start of the call and routes them to the right customer advocate from the first ring.

~1 million
member calls managed with predictive routing

15%
of calls dynamically redirected based on predicted complexity

+2 points
in first-contact resolution

Also drove a substantial drop in assist-line escalations, reducing hold times and follow-ups.

"Intelligent Connect transforms call routing from a rules-based process into a context-aware, AI-driven experience that connects every member to the right support from the start."

Source: HCSC case study, 2026 Gartner Eye on Innovation Awards for Healthcare and Life Sciences

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The Other Side: Hospitals Are Using AI to Inflate Bills

NATIONWIDE INCREASE

$2.3B

Hospital bills tied to AI-assisted upcoding — $663M inpatient + $1.67B outpatient. Texas hospitals are early adopters.

MID-SIZE EMPLOYER, $100M HEALTH PLAN SPEND

$1.8M / year

Estimated added cost from AI-driven billing inflation alone.

This shows up in the premium increases Texas employers are already absorbing.

- **13.1 pts vs. 4.2 pts** — complex-coded inpatient stays jumped 13.1 points (to ~60%) at fastest AI-adopting hospitals, only 4.2 elsewhere
- **6.7% vs. 0.9%** — billing complexity rose 6.7% at one AI-adopting hospital vs. 0.9% at a comparable non-adopter — a 7x gap
- **Flat** — actual treatment intensity barely moved while coding complexity spiked

> *"Right now, ambient scribes are inflationary, and that's a problem. We need technology to help us lower health care costs."*
>
> **— Caroline Pearson, Executive Director, Peterson Health Technology Institute**

Source: Blue Health Intelligence / BCBSA analysis of commercial claims, Q2 2022–Q1 2025; Claim Informatics analysis; STAT News, 4/8/26

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What Is “Ambient Listening”?

“Ambient listening” tools (AI medical scribes) listen to the patient-physician conversation in real time and automatically draft clinical notes — increasingly suggesting billing codes and diagnoses, often without the patient's knowledge or consent.

- It started as a burnout fix. Some vendors now sell it as a revenue tool: one markets its platform as **“the leading ambient AI system for documentation, coding, and clinical documentation integrity”** that **“drives revenue-cycle performance.”**

Example: Oncology

A 2024 study found diagnoses documented per encounter rose from **3.0 to 4.1 — a 37% increase** — after adopting an ambient AI scribe. More diagnoses coded means a higher risk score, and a higher risk score means a bigger bill.

ANOTHER HEALTH SYSTEM

14%

increase in diagnoses coded per encounter

2025 VENTURE FUNDING

~$1B

flowed to AI scribe companies in a single year

“Simply justifying a more lucrative service code for an otherwise-identical office visit represents additional spending with no benefit.**”** — Paige Nong & Hannah Neprash, JAMA Health Forum, January 2026

Source: Doshi et al., JCO Oncology Practice 20, 418 (2024); npj Digital Medicine policy brief (2025); Nong & Neprash, JAMA Health Forum, January 2026

Not an Isolated Finding

EXAMPLE: MATERNITY CARE

POSTPARTUM ANEMIA CODING, 2022–2025

4% → 12.3%

At high-AI-growth hospitals — vs. 7.9% → 8.2% at lower-growth hospitals, while transfusion rates held flat.

COST IMPACT, ONE YEAR

+$22 million

Added to maternity admission costs in a single year from this coding shift alone.

NOT AN ISOLATED FINDING

- **6 large hospital systems,** independently studied — AI scribes pushed visits into higher-paying codes across cancer care, mental health, and digestive disease
- **46%** of U.S. hospitals/health systems already use AI for billing, coding, and claims — adoption climbing ~25 points year-over-year
- **28% increase** in upcoding over 3 years at some Texas facilities with complex coding rising from 47% to 60%

Source: Blue Health Intelligence / BCBSA; Trilliant Health (via HFMA); AKASA/HFMA Pulse Survey; TAHP analysis

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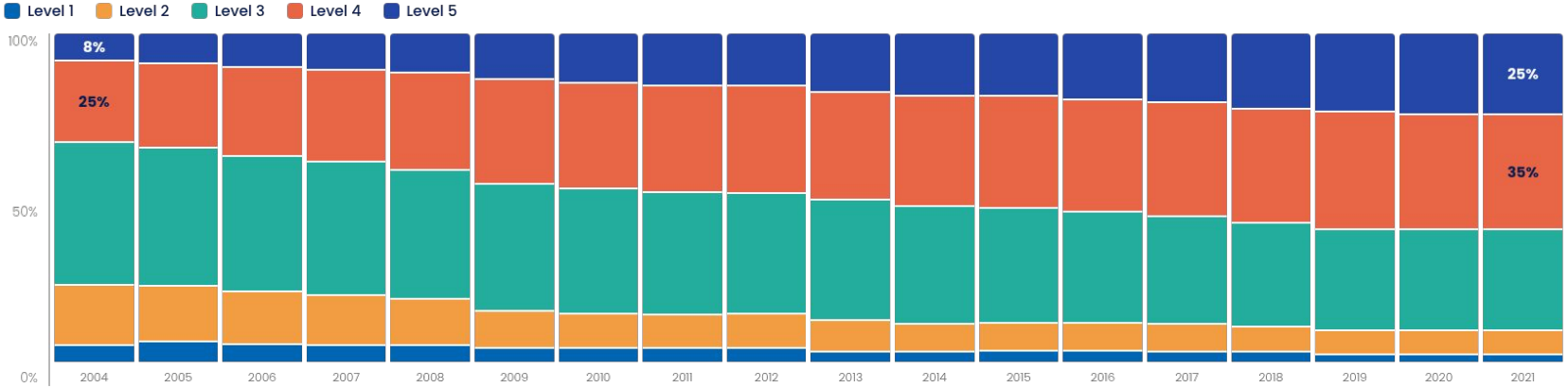
Two Decades of Rising Coding Intensity

Share of emergency department claims billed at each complexity level, 2004–2021

ER billing has been drifting toward higher-complexity codes for almost two decades — long before ambient AI scribes existed.



AI doesn't create this incentive, it amplifies and automates it with advanced revenue maximization tools.

Source: Peterson-KFF Health System Tracker analysis of Merative MarketScan data (private insurance, large employers)

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Recommendations

Texas law requires disclosure when AI shapes a diagnosis or treatment — but says nothing when AI shapes a bill.

PROTECT WHAT'S ALREADY WORKING

- **Don't duplicate regulation.** TDI already has sole authority over insurance AI (HB 149 §552.002(2)).
- **Take a risk-based approach.** Regulate high-risk decisions, not day-to-day use.
- **Don't restrict AI as a tool.** Texas already regulates prior auth, payment, and appeals — let insurers use AI within those rules.
- **Preserve non-discriminatory tools** — like AI that flags population health needs and risks, ex. type 2 diabetes.

CLOSE THE BILLING-AI GAP

- **Extend TRAIGA's disclosure duty.** HB 149 requires disclosure when AI shapes a diagnosis or treatment — it requires nothing when that same AI shapes a bill.
- **Hold AI vendors accountable, not just hospitals.** Companies selling coding/billing AI tools should share responsibility for how those tools are used.
- **Give the Commissioner audit authority** over hospital billing AI, mirroring SB 815.
- **Require a fiscal note** on any new AI mandate, per the existing HB 138/HICCAP process.

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