

# Artificial Intelligence & Healthcare in California

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California Health Benefits Review Program (CHBRP)  
University of California

The use of artificial intelligence (AI) in healthcare has expanded significantly in recent years, increasing the potential for healthcare stakeholders – including clinicians, hospitals, and insurers – to use computer science techniques to innovate and transform their work. AI is being used in healthcare a variety of ways, including to enhance health care delivery by providing more accurate diagnoses; to provide mental health support by using technology to comprehend human emotions from text (i.e., on social media); and to support insurers by automating prior authorization<sup>1</sup> processing and claims adjudication<sup>2</sup> (Chustecki, 2024; Shachar et al., 2024).

However, AI also poses risks: AI diagnoses are not always superior to human diagnoses; the use of machines to make healthcare decisions raises concerns about transparency and privacy; and machine learning systems can be prone to algorithmic bias, which can lead to predictions based on noncausal factors such as gender or ethnicity (Chustecki, 2024).

As AI advances and its adoption spreads, many states are considering what policy response to take to balance the benefits and risks that come with using AI in healthcare. California legislators have made efforts to begin regulating its use, particularly by health plans and insurers, health care professionals, and developers. As of 2025, the California Legislature has introduced and passed several bills specific to healthcare, and has also passed legislation that aims to enhance safety for AI users beyond the healthcare industry but may, given their broad reach, impact the industry and its patients.

## Key Definitions

**Artificial Intelligence (AI):** Technology that enables computers and machines to perform tasks typically associated with human intelligence, such as decision making and problem solving.

**Generative Artificial Intelligence:** A type of AI designed to create new content, such as text or images, by learning patterns from existing data.

**Predictive Algorithm:** A set of instructions used to analyze historical and current data to forecast future outcomes.

<sup>1</sup> Prior authorization is a requirement by health plans and insurers for patients to obtain approval of a health care service or medication before the care is provided  
<sup>2</sup> Claims adjudication is the process by which a health insurer reviews a provider's claim to determine if and how much the insurer will pay. The process involves verifying patient information, confirming medical necessity of a service or treatment, and confirming that the service or treatment is covered under the patient's policy. Claim adjudication results in the payment, denial, or adjustment of a claim.

California is not alone in this pursuit: according to the [Manatt Health: Health AI Policy Tracker](#), as of October 2025, 47 states introduced over 250 AI-related bills impacting healthcare, and 21 states (including California) passed bills into law this year. Examples of passed legislation include:

- Utah, New York, and Nevada passed legislation related to the use of AI-enhanced chatbots in the delivery of mental health services.
- Texas and Illinois passed bills more broadly applicable to the use of AI systems in mental health settings.
- Arizona, Maryland, Nebraska, and Texas passed bills focused on prohibiting the sole use of AI in making medical necessity denials or denying prior authorization.
- Texas, Nevada, and Oregon passed bills regulating provider use of AI. These bills mandate that providers disclose their use of AI to patients; prohibit AI systems from representing themselves as licensed providers; and/or require provider review of patient information that has interacted with AI before entering it into patient records.

At the federal level, the White House issued an Executive Order “Unlocking Cures for Pediatric Cancer with Artificial Intelligence” in September. Senator Ted Cruz (R-Texas) introduced the SANDBOX Act in September, which would create a pathway for waivers from federal regulation governing AI innovation.

This policy snapshot details the laws California has signed since 2024 as well as two bills introduced in 2025 that aim to regulate AI in healthcare settings. It also describes three bills signed into law in 2025 that aim to enhance safety for AI users beyond the healthcare industry.

## California State Law

In recent years, California has passed three laws directly regulating the use of AI in healthcare.

### AB 489 Health Care Professions: Deceptive Terms or Letters: Artificial Intelligence

Existing law prohibits a person who is not licensed as a specified health care professional to use certain “words, letters, and phrases” or any other terms that imply that they are authorized to practice that profession. [Assembly Bill \(AB\) 489](#), signed into law in 2025 and to be enacted January 1, 2026, allows the enforcement of this law against anyone who develops or deploys AI or generative AI technology that uses one or more of those terms, letters, or phrases, either in its advertising or in everyday work. The bill also prohibits the use of this language by AI or generative AI technology if the technology implies that the information it generates comes from a human with the appropriate licensure.

### AB 3030 Health Care Services: Artificial Intelligence

[AB 3030](#), signed into law in 2024 and enacted January 1, 2025, requires that a health facility, clinic, physician’s office, or office of a group practice that uses generative AI for patient communications pertaining to patient clinical information must include a disclaimer stating that the communication was generated by AI. The disclaimer must also contain clear instructions describing how a patient may contact a human in relation to their care. The bill exempts communications read and reviewed by a human licensed or certified health care provider.

## SB 1120 Health Care Coverage: Utilization Review

[Senate Bill \(SB\) 1120](#), signed into law in 2024 and enacted January 1, 2025, regulates the use of AI in health insurance utilization review<sup>3</sup> through multiple mechanisms. Namely, SB 1120 mandates that a physician or licensed healthcare professional – not artificial intelligence – possess ultimate responsibility for making individual medical necessity determinations. AI may be used to support determinations of medical necessity but may not delay, deny, or modify health care services based on medical necessity.

SB 1120 requires that when health plans and insurers use an AI, algorithm, or other software tool for the purpose of utilization review or utilization management, the tool bases its determination on available clinical information, including:

- An enrollee’s medical or other clinical history;
- Individual clinical circumstances as presented by the requesting provider; and/or,
- Other relevant clinical information contained in the enrollee’s medical or other clinical record.

SB 1120 also contains requirements for patient protection. Per the bill language, an AI, algorithm, or other software tool must:

- Not directly or indirectly cause harm to the insured;
- Not discriminate, directly or indirectly, against enrollees in violation of state or federal law;
- Be fairly and equitably applied in accordance with regulations and guidance from the federal Department of Health and Human Services; and,
- Be open to inspection for audit or compliance reviews by their regulatory department.

## Recently Proposed Legislation

The California Legislature proposed two bills in 2025 that aimed to regulate the application of AI in healthcare. Neither was signed into law.

### AB 682 Health Care Coverage Reporting

[AB 682](#) would have required health plans and insurers that use prior authorization to report specified data on their website annually, including the number of claims denied that at any point were processed, adjudicated, or reviewed with AI or other predictive algorithms (among other requirements not pertaining to the use of AI). AB 682 was vetoed by the Governor in October 2025, citing duplicative reporting requirements with SB 306 health care coverage: prior authorizations, which was

Figure 1: Summary of AI in Healthcare Legislation in California

	AB 489 Health Care Professions: Deceptive Terms or Letters: Artificial Intelligence	AB 682 Health Care Coverage Reporting	AB 3030 Health Care Services: Artificial Intelligence	SB 503 Health Care Services: Artificial Intelligence	SB 1120 Health Care Coverage: Utilization Review
Summary	Allows the enforcement of existing law against an entity that develops or deploys AI or generative AI and uses one or more specified prohibited terms, letters, or phrases in its advertising or functionality.	Requires health plans to report prior authorization data on their website annually, including the number of denied claims that were processed, adjudicated, or reviewed by AI.	Requires that a health care facility, clinic, or office that uses generative AI for clinical patient communications include a disclaimer stating the use of AI.	Requires that AI developers and deployers must identify, monitor, and mitigate any bias their systems create when used in clinical decision making.	Requires that health plans that use AI for utilization review base determinations of medical necessity on clinical information.  A licensed healthcare professional - not AI - holds responsibility for determinations of medical necessity.
Year	2025	2025	2024	2025	2024
Status	✓ Signed by the Governor	✗ Vetoed by the Governor	✓ Signed by the Governor	✗ Moved to the inactive file	✓ Signed by the Governor

Source: California Health Benefits Review Program, 2025.

<sup>3</sup> Utilization review is the process of evaluating the medical necessity of healthcare services or treatment.

signed into law in October 2025. SB 306 mandates reporting on prior authorization<sup>4</sup> but does not specifically require that health plans report their use of AI for prior authorization.

## SB 503 Health Care Services: Artificial Intelligence

[SB 503](#) would have required that developers and deployers<sup>5</sup> of AI make reasonable efforts to identify AI

systems that support clinical decision making or health care resource allocation and present risk of biased impacts<sup>6</sup>. The bill would have required deployers to regularly monitor such AI systems and work to mitigate any bias that may occur. The bill also included reporting requirements to the California Department of Managed Health Care (DMHC) before the system is made commercially or publicly available and annually thereafter. SB 503 was introduced in February 2025 and ordered to the inactive file in September.

## Broader AI Legislation in California

California passed three bills in 2025 that regulate AI in ways that do not solely apply to the healthcare industry but may, given their broad reach, impact the deployment of AI in healthcare settings and/or the physical or mental health of certain populations. These bills aim to enhance safety for AI users by increasing information sharing and by regulating operators and developers of AI platforms.

Figure 2: Broad AI Legislation in California in 2025

	AB 979 California Cybersecurity Integration Center: Artificial Intelligence	SB 53 Artificial Intelligence: Large Developers	SB 243 Companion Chatbots
<b>Summary</b>	Requires development of a California AI Cybersecurity Collaboration Playbook	Establishes the Transparency in Frontier Artificial Intelligence Act, which outlines regulations for developers to ensure the safety of certain types of AI models	Requires notification to users that a chatbot is artificially generated and not human. Requires specific actions with respect to companion chatbot users who are minors.
<b>Year</b>	2025	2025	2024
<b>Status</b>	✓ Signed by the Governor	✓ Signed by the Governor	✓ Signed by the Governor

Source: California Health Benefits Review Program, 2025.

### AB 979 California Cybersecurity Integration Center: Artificial Intelligence

[AB 979](#), which was signed into law in 2025, requires that the California Cybersecurity Integration Center develop a California AI Cybersecurity Collaboration Playbook to facilitate information sharing across the cyber and AI communities, including AI providers, developers, and adopters, and to strengthen collective cyber defenses against emerging threats, such as AI. The Playbook must be developed by July 1, 2026.

### SB 53 Artificial Intelligence: Large Developers

[SB 53](#), which will go into effect in phases beginning January 1, 2026, establishes the Transparency in Frontier Artificial Intelligence Act (TFAIA), which outlines regulations for developers to ensure the safety of certain types of AI models. The TFAIA requires that “large frontier developers” – those with annual gross revenues in excess of \$500M – write, implement, comply with, and publish on their website a frontier AI framework that applies to the developer’s models and describes,

<sup>4</sup> SB 306, passed in 2025, requires health plans and insurers to report by July 1, 2026 statistics regarding covered health care services subject to prior authorization and the rate at which they are approved or modified. These statistics must be reported to and evaluated by the Department of Health Care Services (DHCS) and DMHC. No later than January 1, 2028, plans and insurers must stop requiring prior authorization for the most frequently approved covered health care services, as identified from this reporting. These provisions will be repealed on January 1, 2034.

<sup>5</sup> SB 503 defines “developer” as a person, partnership, state or local governmental agency, corporation, or deployer that designs, codes, substantially modifies, or otherwise produces an artificial intelligence system for commercial or public use to support clinical decision making or health care resource allocation. SB 503 defines “deployer” as a health facility, clinic, physician’s office, or office of a group practice that uses an artificial intelligence system to support clinical decision making or health care resource allocation.

<sup>6</sup> SB 503 defines “biased impact” as an unintended adverse impact, including diminished access to health care, quality of care, or outcomes, on an individual based on their protected characteristics.

among other things, how they approach various standards and best practices as well as whether the model has capabilities that could pose a catastrophic risk and how that risk is mitigated. The TFAIA also requires that frontier developers deploying a new or substantially modified frontier model must publish a transparency report, and that large frontier developers' transparency report include a summary of assessments of catastrophic risk resulting from internal use of its frontier models. The TFAIA requires the Office of Emergency Services to establish a mechanism to be used by a frontier developer or a member of the public to report a critical safety incident and a mechanism to be used by a large frontier developer to confidentially submit summaries of any assessments of the potential for catastrophic risk resulting from internal use of its frontier models. SB 53 contains whistleblower protections for covered employees working with foundation models.

## SB 243 Companion Chatbots

[SB 243](#), which was signed into law in 2025 and will go into effect in phases in 2026 and 2027, requires that if a reasonable person would be misled to believe that they are interacting with a human, the operator<sup>7</sup> of a companion chatbot must notify the user that the chatbot is artificially generated and not human. An operator must also maintain a protocol for preventing the production of suicidal ideation, suicide, or self-harm content to be presented to users. SB 243 also requires an operator to take certain actions with respect to a user the operator knows is a minor, including disclosing to the user that they are interacting with artificial intelligence; routinely reminding the user to take a break and that the chatbot is not human; and instituting reasonable measures to prevent the chatbot from producing visual materials of sexually explicit conduct.

## Conclusion

California's Legislature has made several efforts in recent years to regulate the use of AI both directly within the healthcare industry and more broadly. Many other states are similarly looking to respond to the growth of AI through policy, particularly by regulating health plans and insurers, providers, and developers. As AI continues to evolve, there will likely be ongoing debate and additional efforts to regulate its use in the coming years as legislators continue to find a balance between its benefits and risks.

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<sup>7</sup> SB 243 defines operator as a person who makes a companion chatbot platform available to a user in the state.

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# About the California Health Benefits Review Program (CHBRP)

Drawing on the experience and assistance of multi-disciplinary faculty, researchers, and analysts based at the University of California, CHBRP provides the California Legislature with timely, independent, and rigorous evidence-based analyses of introduced health insurance benefits-related legislation. Most frequently, CHBRP analyzes proposed health insurance benefit mandates (e.g., mandates to cover a test, treatment, or service, such as continuous glucose monitors). For more about CHBRP's 60-day analysis process, see the resource [Academic Rigor on a Legislature's Timeline](#).

To read any of the 200+ bill analyses CHBRP has completed, see the [Completed Analysis](#) page on [CHBRP's website](#). In addition to analysis of introduced legislation, CHBRP produces [other publications](#) including several annually updated resources, as well as issue briefs and explainers.

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