

House Bill 4054

Introduced and printed pursuant to House Rule 12.00. Presession filed (at the request of Joint Legislative Committee on Information Management and Technology for Representative Nancy Nathanson)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**. The statement includes a measure digest written in compliance with applicable readability standards.

Digest: Tells some health insurers to inform health care providers when they use AI to downcode a claim for reimbursement. (Flesch Readability Score: 62.8).

Requires certain health insurers offering a health benefit plan in this state that provide utilization review or have utilization review provided on their behalf to notify a health care provider each time the insurer uses artificial intelligence or other automated technology to automatically downcode a claim for reimbursement submitted by the provider. Requires insurers to make an appeals process available to a provider who has had a claim automatically downcoded using artificial intelligence or other automated technology.

1 A BILL FOR AN ACT

2 Relating to downcoding; creating new provisions; and amending ORS 743B.423.

3 **Be It Enacted by the People of the State of Oregon:**

4 **SECTION 1.** ORS 743B.423 is amended to read:

5 743B.423. (1) All insurers offering a health benefit plan in this state that provide utilization re-
6 view or have utilization review provided on their behalf shall file an annual summary with the De-
7 partment of Consumer and Business Services that describes all utilization review policies, including
8 delegated utilization review functions, and documents the insurer's procedures for monitoring of
9 utilization review activities.

10 (2) All utilization review activities conducted pursuant to subsection (1) of this section shall
11 comply with the following:

12 (a) In addition to the requirements of ORS 743B.602, in establishing utilization review, the
13 insurer must use clinical review criteria that are evidence-based and continuously updated based
14 on new evidence and research, and take into account new developments in treatment.

15 (b) The insurer must adjudicate claims for reimbursement in accordance with ORS 743B.450
16 based on the information submitted by the provider and may not require the provider to resubmit
17 the information.

18 (c) The criteria and the process used in the utilization review and the method of development
19 of the criteria must be made available for review to contracting providers.

20 (d) The insurer must have a website where:

21 (A) The following information is clearly posted:

22 (i) All requirements for requesting coverage of a treatment, drug, device or diagnostic or labo-
23 ratory test that is subject to utilization review, including the specific documentation required for a
24 request to be considered complete.

25 (ii) A list of the specific treatments, drugs, devices or diagnostic or laboratory tests that are
26 subject to utilization review.

27 (iii) **The appeals process by which a provider who has had a claim downcoded in the**

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted.
New sections are in **boldfaced** type.

1 **manner described in paragraph (i) of this subsection may pursue a timely appeal before an**
2 **appropriate medical consultant or peer review committee.**

3 (B) A provider can make a secure electronic submission, meeting industry standards for privacy,
4 of a request for coverage of a treatment, drug, device or diagnostic or laboratory test that is subject
5 to utilization review, along with needed forms and documents, and receive an electronic acknowledg-
6 ement of receipt of the request.

7 (e) If the insurer deems as incomplete a request made for coverage of a treatment, drug, device
8 or diagnostic or laboratory test that is subject to utilization review, the insurer must inform the
9 provider of the specific information needed for the request to be considered complete.

10 (f) The insurer must use a physician licensed under ORS 677.100 to 677.228 to make all final
11 recommendations regarding coverage of a treatment, drug, device or diagnostic or laboratory test
12 that is subject to utilization review and to consult as needed.

13 (g) The insurer must give a provider notice in writing of a denial of a request for coverage of
14 a treatment, drug, device or diagnostic or laboratory test that is subject to utilization review. The
15 notice must be written in plain language, be understandable to providers and patients, and include
16 the specific reason for the denial based on evidence-based, peer-reviewed literature. If the denial is
17 based on terms in a policy or certificate of insurance, the denial must cite the specific language in
18 the policy or certificate.

19 (h) The insurer must make available to any provider who has had a request for treatment or
20 payment for services denied as not medically necessary or as experimental shall be provided an
21 opportunity for a timely appeal before an appropriate medical consultant or peer review committee.

22 **(i) If an artificial intelligence, algorithm or other software tool is used in the utilization**
23 **review process to automatically downcode a claim, the insurer must give the provider notice**
24 **in writing not later than two business days after the date on which payment intended to**
25 **satisfy the claim is made. The notice must include disclosure of the use, the specific reason**
26 **for downcoding the claim and a description of the insurer's applicable appeals process and**
27 **time limits within which a provider must request an appeal of a downcoded claim. If the**
28 **claim is downcoded based on terms in a policy or certificate of insurance or bill coding policy,**
29 **the notice must cite the specific language in the policy or certificate or bill coding policy.**

30 **(j) The insurer must make available to any provider who has had a claim downcoded in**
31 **the manner described in paragraph (i) of this subsection an opportunity for a timely appeal**
32 **before an appropriate medical consultant or peer review committee. The appeals process**
33 **must be consistent with the process for requesting additional payment from a health insurer**
34 **to satisfy a claim under ORS 743B.453.**

35 **[i] (k) Except as provided in paragraph [j] (L) of this subsection, an insurer must issue a**
36 **determination on a provider's or an enrollee's request for coverage of a nonemergency treatment,**
37 **drug, device or diagnostic or laboratory test that is subject to utilization review within a reasonable**
38 **period of time appropriate to the medical circumstances but no later than two business days after**
39 **receipt of the request, and qualified health care personnel must be available for same-day telephone**
40 **responses to inquiries concerning certification of continued length of stay.**

41 **[j] (L) If the insurer requires additional information from an enrollee or a provider to make a**
42 **determination on a request for coverage of a treatment, drug, device or diagnostic or laboratory test**
43 **that is subject to utilization review, no later than two business days after receipt of the request, the**
44 **insurer shall notify the enrollee and the provider in writing of the additional information needed to**
45 **make the determination. The insurer shall issue the determination by the later of:**

1 (A) Two business days after receipt of a response from the provider or enrollee to the request
2 for additional information; or

3 (B) Fifteen days after the date of the request for additional information.

4 [(k)] (m) If a change in a drug formulary or other change in coverage impacts the coverage of
5 any enrollee's treatment plan and the enrollee has been stabilized on the treatment plan for at least
6 90 days, the insurer must continue to provide coverage of the treatment until utilization review and
7 all internal appeals and external reviews are completed.

8 [(L)] (n) The insurer may not alter utilization review requirements, or initiate or implement new
9 utilization review requirements, without giving a 60-day advance notice to all participating providers.

11 [(m)] (o) In addition to the requirements of ORS 743B.420, an approved request for coverage of
12 a treatment, other than a prescription drug, shall be binding on the insurer for a period ending on
13 the later of the following:

14 (A) The reasonable duration of the treatment based on clinical standards; or

15 (B) Sixty days after the date that the treatment begins following approval of prior authorization.

16 [(n)] (p) Except as provided in paragraph [(o)] (q) of this subsection, an approved request for
17 coverage of a prescription drug shall be binding on the insurer for one year from the date that the
18 treatment begins following approval of the request if the drug:

19 (A) Is prescribed as a maintenance therapy that is expected to last at least 12 months based on
20 medical or scientific evidence;

21 (B) Continues to be prescribed throughout the 12-month period; and

22 (C)(i) Is prescribed for a condition that is within the scope of use for the drug as approved by
23 the United States Food and Drug Administration; or

24 (ii) Has been proven to be a safe and effective form of treatment for the enrollee's medical
25 condition based on clinical practice guidelines developed from peer-reviewed medical literature.

26 [(o)] (q) Paragraph [(n)] (p) of this subsection does not apply if:

27 (A) A therapeutic equivalent of the prescription drug or a generic alternative to the prescription
28 drug is or becomes available as a substitute for the drug for which prior authorization is requested
29 or was approved; or

30 (B) A biologic product is or becomes available that is determined by the United States Food and
31 Drug Administration to be interchangeable with the drug for which prior authorization is requested
32 or approved.

33 [(p)] (r) Paragraphs [(k), (m) and (n)] (m), (o) and (p) of this subsection do not require an
34 insurer to reimburse the cost of care for a patient who is no longer enrolled in the health benefit
35 plan offered by the insurer.

36 **(3) As used in this section, "downcode a claim" means to change the billing code for a
37 claim for reimbursement submitted to an insurer by a provider on behalf on an enrollee to
38 a billing code that has a lower reimbursement rate than the billing code contained in the
39 original claim submitted by the provider.**

40 **SECTION 2. The amendments to ORS 743B.423 by section 1 of this 2026 Act apply to
41 health benefit plans issued, renewed or extended on or after the effective date of this 2026
42 Act.**

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