Federation of American Hospitals

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STATEMENT
of the
Federation of American Hospitals
to the
U.S. Senate
Committee on Health, Education, Labor, and Pensions
Re: *"AI's Potential to Support Patients, Workers, Children, and Families"*
October 9, 2025

The Federation of American Hospitals (FAH) submits the following statement for the record in advance of the hearing of the Senate Health, Education, Labor, and Pensions Committee entitled *"AI's Potential to Support Patients, Workers, Children, and Families."*

The FAH is the national representative of over 1,000 leading tax-paying hospitals and health systems throughout the United States. FAH members provide patients and communities with access to high quality, affordable care in both urban and rural areas across 46 states, plus Washington, DC and Puerto Rico. Our members include teaching, acute, inpatient rehabilitation, behavioral health, and long-term care hospitals and provide a wide range of inpatient, ambulatory, post-acute, emergency, children's, and cancer services. Tax-paying hospitals account for approximately 20 percent of community hospitals nationally.

The FAH and its members are invested in AI use cases and believe the U.S. Government needs to strike a careful balance when it comes to AI regulation and oversight to ensure safe and appropriate development while still allowing for unfettered innovation and advancement of this transformational technology. If developed and used responsibly, AI has the potential to transform the efficiency of patient care, improve health outcomes, lower costs, along with countless other advancements in the field. The FAH offers the following comments for consideration in advance of the Committee's hearing:

FAH Member Companies at the Forefront of AI Integration

FAH members are at the forefront of utilizing AI to reduce regulatory and administrative burden to allow caregivers to spend more time by the bedside and less time doing paperwork. Our hospitals are using AI, for example, to improve the efficiency of how nurses exchange patient information during shift changes. AI tools can integrate with electronic health records (EHRs) to generate concise shift summaries that allow nurses to view the patient record alongside this summary to allow for

simplified shift preparation, reduced documentation time, and improved communication accuracy. These types of AI use cases allow clinicians, providers, administrators, and leaders to reclaim valuable time to allow greater focus on patient care, critical decision-making, and higher-risk activities such as transitions of care.

Beyond alleviating administrative burden, innovation should be recognized as an essential extension of the health care workforce. For example, these technologies can help care teams work more efficiently by helping to identify early signs of patient deterioration and predicting patients at risk of falls or other harms. When thoughtfully integrated, such tools empower nurses and physicians to work at the top of their license and focus on patient care. The use of innovation as a clinical force multiplier enhances both patient safety and staff effectiveness, supporting hospitals' commitment to quality while also mitigating the ongoing workforce challenges across the health care sector.

The FAH believes AI integration in the hospital setting must still recognize the central role of physicians and other medical professionals in patient care decisions. AI in hospitals can improve workflows on time-consuming tasks, such as clinical documentation and administration, and is an important auxiliary tool to augment the critical role physicians, nurses, caregivers, administrators and other hospital employees play in direct patient care and hospital operations.

Appropriate Regulation of AI to Encourage Innovation

Uniform Regulatory Framework: The United States has the opportunity at the federal level to establish a uniform and practical framework to promote AI in health care. A single, national standard that preempts state laws is crucial to facilitating compliance while enhancing innovation. The health care sector already faces a complex matrix of federal and state health information privacy laws that create confusion and inefficiencies, while increasing costs. It would be unfortunate and unnecessary to repeat the same problem in the AI space.

Risk Management Approach: Risk management is a key aspect of ensuring that AI solutions, generative and rules-based, are appropriately developed, disseminated, and monitored over time. For AI solutions in particular, a risk management approach can help both developers and health care providers to efficiently focus technical and organizational controls on higher-risk deployment.

Risk management approaches are deeply integrated with health systems, including both existing workflows and regulatory schemes. Hospitals and health care systems have extensive experience in, and have long deployed, risk management approaches to ensure the safety of health care services and the privacy and security of health information. At the federal level, the existing risk management landscape includes a range of safety and privacy requirements, such as the Medicare Conditions of Participation and HIPAA Privacy and Security Rules. In addition, health care technologies have established risk management for electronic medical record (EMR) and EHR workflows. Any AI regulatory requirements that conflict with existing risk management processes will slow down

progress in realizing the benefits of technology and could inadvertently result in less effective risk management of complex health care organizations.

It is important, however, to balance these transparency and risk management approaches with innovation and the risk of unnecessary burden. A health care practitioner will not realistically be able to individually evaluate AI tools and their output in the midst of patient treatment. Careful attention will be needed to ensure that appropriate information is available in the workflow, without creating significant disruptions to the care process.

Provider Collaboration: We urge Congress – as well as the Administration – to collaborate with providers, including hospitals and health care systems, when developing an AI framework and regulations.

Flexible AI Model Development and Accountability: We recommend policies that promote flexible, industry-driven AI development practices rather than government-imposed technical constraints. An AI model governance process for use by hospitals and health care systems and other providers should focus on the principles of transparency, explainability, and appropriate monitoring. For example, AI tools that augment clinical decision-making should be transparent to the underlying data and/or sources used to support suggestions or recommendations, allowing the "human in the loop" to exercise judgment in relying on outputs from AI tools. We also caution against strict limits on model adaptation, which could prevent AI systems from learning and improving over time; or requiring AI models to be fully interpretable in every case — some advanced models (e.g., deep learning) have inherent complexity that cannot always be easily explained.

Open-Source Development: We urge support for open-source AI development as a driver of innovation and establishment of guidelines for responsible use, including open-source or otherwise publicly available guidelines for how AI systems should be developed, implemented, and monitored.

Security Against AI Model Attacks: We recommend industry-driven AI security standards which could expedite responsiveness to rising threats, such as by scaling with risk and imposing stricter controls on AI handling sensitive personal data while allowing more flexibility for non-sensitive applications.

Data Privacy and Security Throughout the AI Lifecycle: AI developers should integrate privacy-preserving techniques (such as differential privacy and data minimization) throughout the entire AI lifecycle.

Shared Responsibility and Developer Accountability: There is a shared responsibility between the developers and end-users of AI tools to build and deploy them in a way that is safe, effective, and secure. While health care providers bear responsibility for the care they provide, the developers of commercial AI products must be accountable for the safety and reliability of their products and required to be truthful in marketing their products, especially since safety, bias, privacy and security, or other harms may be caused by a flaw in the tool itself.

The Use of AI in MA Prior Authorization and Claim Denials

While FAH members support private sector innovation in the Medicare program, we are increasingly concerned that MA plans are making it harder and more costly for patients to access the care they need—and that MA enrollees are not receiving the same covered benefits as beneficiaries in Traditional Medicare. Abusive practices by MA plans include systematic efforts to inappropriately deny, limit, and delay the delivery and payment of health services and care. These practices force facilities and caregivers to spend valuable time and resources fighting care denials and delays, while diverting resources from patient care.

The FAH and other stakeholders have documented the widespread harm caused by ongoing aggressive prior authorization practices in MA—an issue that may be compounded by the use of AI in claims reviews. According to the Office of Inspector General (OIG), MA plans routinely deny services that would have been covered under Traditional Medicare. A 2022 OIG report found that 13% of denied prior authorizations met Medicare coverage rules, and 18% of payment denials were for services that should have been paid.[1] Additionally, appealing MA plan denials is administratively burdensome and costly – requiring teams of clinical, utilization management, and financial staff to spend hours on each case. However, in a 2018 report on prior authorization abuses, the OIG found that MA plans often overturned 75 percent of their own initial denials during 2014-2016.[2]

In June, more than 50 insurers, as part of AHIP, pledged to streamline, simplify and reduce the prior authorization process, noting the widespread challenges in care delivery posed when physician-recommended procedures are denied by health plans.[3] As a part of this pledge, the plans agreed to incorporate AI automation into the prior authorization process to "accelerate timely approvals, promote access to care, improve the patient experience, minimize administrative burden and reduce costs."

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[1] Some Medicare Advantage Organization Denials of Prior Authorization Requests Raise Concerns About Beneficiary Access to Medically Necessary Care | Office of Inspector General | Government Oversight | U.S. Department of Health and Human Services

[2] Medicare Advantage Appeal Outcomes and Audit Findings Raise Concerns About Service and Payment Denials | Office of Inspector General | Government Oversight | U.S. Department of Health and Human Services

[3] Health plans are making voluntary commitments to support... - AHIP

The proposed reliance on AI systems to support these MA determinations raises concerns about bias, lack of transparency, and limited ability to account for clinical nuance—issues that have not yet been fully addressed through regulation or industry standards. AI systems are only as good as the data and assumptions behind them. As previously stated, the initial "error" rate in prior authorization decisions among MA plans was 75 percent, meaning AI models may be trained using inadequate claims determination data, resulting in delays in care delivery and increased administrative burden to hospitals. Without full transparency into these algorithms, it is impossible to ensure that decisions are free of bias, accurate across diverse populations, or aligned with evidence-based practice.

To mitigate these challenges, the FAH emphasizes the importance of AI as an auxiliary tool to augment human actions, where a human in the loop has final decision-making authority over any actions involving, defining, or executing treatment plans or clinical decisions. Physicians are equipped with both the medical expertise and understanding of the patient encounter necessary to make appropriate care decisions. Plans have voluntarily committed that all prior authorization denials based on medical necessity will be reviewed by a qualified clinician, which reflects existing practice. It is critical that this stipulation is maintained to reduce bias in the AI and maintain the autonomy of physician care delivery to ensure efficiency and quality of care delivery.

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The FAH and its members recognize the transformative potential of AI and the importance of striking a thoughtful balance between innovation and oversight. We would welcome the opportunity to work with you on these important matters. If you have any questions or wish to speak further, please do not hesitate to reach out to me at cmacdonald@fah.org.

Sincerely,