



Fiscal Note

Fiscal Services Division



[SF 2421](#) – Prior Authorizations, Cancer Screenings, Reviews, and Timelines (LSB6750SV)
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Fiscal Note Version – New

Description

[Senate File 2421](#) relates to utilization review organizations' (UROs') use of artificial intelligence, prior authorization determinations and exemptions, and audits and includes applicability provisions. The Bill has four divisions.

Division I — Prior Authorization — Use of Artificial Intelligence and Peer Review

Description

Division I of the Bill:

- Prohibits a URO from using an artificial intelligence-based algorithm as the sole basis for the decision to deny, delay, or downgrade a prior authorization request based on medical necessity.
- Provides the following requirements for a URO to deny or downgrade a request for prior authorization:
 - The decision must be made by a qualified reviewer or a clinical peer.
 - The health care provider must be given a statement signed by the qualified reviewer or clinical peer who made the decision and must include the specific reasons for the denial or downgrade.
 - The URO's appeal process, as well as identifying information for the individual who made the decision, must be disclosed.
- Requires a URO to conduct a consultation with a qualified reviewer or clinical peer within seven business days of notification of denial.
- Restricts a qualified reviewer or clinical peer who was involved in an original denial or downgrade from conducting the pursuing appeal.
- Authorizes the Commissioner of Insurance to adopt administrative rules to administer this Division.

Division I of the Bill is applicable to requests for prior authorization if the request is made before January 1, 2027, and the request has not been finally determined on or before that date.

Division I is also applicable to requests for prior authorization made on or after January 1, 2027.

Background

“Prior authorization” is defined in Iowa Code section [514F.8](#) as a determination by a URO that a specific health care service proposed by a health care provider for a covered person is medically necessary or medically appropriate. The determination must be made prior to the provision of the health care service to the covered person. If applicable, a covered person or a health care provider must notify the URO prior to receiving or providing a specific health care service.

Insurance claim spend by plan is shown in **Figure 1**. The State of Iowa costs (2025) were provided by Wellmark, and the Board of Regents (BOR) universities' costs (2024) were provided by the BOR.

Figure 1 — Insurance Spend by Plan

Insurance Plan	Annual Spend
State University of Iowa	\$ 360,800,000
Iowa State University	138,500,000
University of Northern Iowa	27,100,000
University Total	\$ 526,400,000
State of Iowa	395,700,000
Total	\$ 922,100,000

Division I is estimated to affect approximately 25.6% of the population (829,000 people). This includes individual coverage, fully insured small and large employer groups, self-insured public employees, and the State of Iowa plan.

Of the individuals not covered by the mandate, approximately 42.9% are covered by government-sponsored health insurance; 26.7% are covered by employer coverage, which is governed by the federal [Employee Retirement Income Security Act of 1974 \(ERISA\)](#); and the remaining 4.8% are uninsured. Additional details are presented in **Figure 2**.

Figure 2 — Population Covered by Insurance Plans Regulated by Iowa Law

Type of Coverage	Iowa Population	Percent of Population
Total Population 2024	3,241,488	100.0%
Included in Mandate		
Individual Coverage	143,597	4.4%
Fully Insured Small Employer Group	129,342	4.0%
Fully Insured Large Employer Group	286,029	8.8%
Self-Insured Public Employees*	215,000	6.6%
State of Iowa Plan	55,000	1.7%
Total	828,968	25.6%
Not Included in Mandate		
Employer (self-insured + other types not listed)	864,752	26.7%
Uninsured	156,600	4.8%
Other Public (Military, Tricare, Veterans Affairs)	24,100	0.7%
Medicare	685,671	21.2%
Medicaid + Children's Health Insurance Plan	681,397	21.0%
Total	2,412,520	74.4%

*Represents total population 2020.

Sources: Iowa Insurance Division and Wellmark

Assumptions

- Requiring a qualified reviewer or a clinical peer to make denial or downgrade determinations may increase administrative costs for health carriers.
 - According to Wellmark, some of these specialized positions may not currently be on staff, and there may be significant costs to hire or contract this work to individuals with the same qualifications and experience as the health care professional or physician requesting prior authorization. Potential costs are unknown but may be significant.
 - According to Wellmark, any reduction in prior authorization utilization is accompanied by a sentinel effect, which increases utilization and costs to a health insurance plan.
- Additional consultation pursuant to the Bill may increase administrative costs by an unknown amount, which may be significant.
- According to the BOR, any increase in the utilization of services may increase revenues or decrease costs to University of Iowa Health Care (UIHC) as a provider, but any such impact cannot be quantified at this time.

Fiscal Impact

Division I of the Bill may increase administrative costs to the State of Iowa and the BOR universities' plans by requiring denial and downgrade determinations for prior authorization requests to be performed by qualified reviewers and clinical peers. Administrative costs for each of the plans may also be increased in the appeal and consultation process outlined in Division I. Additionally, Division I may increase revenues to UIHC as a provider if increased utilization of services occurs. Any potential fiscal impact for Division I is unknown, but may be significant.

Division II — Prior Authorizations — Cancer-Related Exemptions

Description

Division II of the Bill relates to prior authorization requirements for cancer-related screenings and does the following:

- Prohibits prior authorization and additional utilization review requirements for cancer-related screenings if the screenings are recommended by the covered person's health care professional and meet other requirements of the Bill.
- Requires the Director of the Department of Health and Human Services (HHS) to adopt administrative rules to administer this Division.
- Authorizes the Commissioner of Insurance to adopt administrative rules to administer this Division.

Division II of the Bill is applicable to health benefit plans delivered, issued for delivery, continued, or renewed beginning January 1, 2027, and to requests for prior authorization for cancer-related screenings that meet additional requirements of the Bill.

Background

Division II is estimated to affect approximately 46.6% of the population (1.5 million people). This includes individual coverage, fully insured small and large employer groups, self-insured public employees, the State of Iowa plan, Medicaid, and the Children's Health Insurance Plan (CHIP).

Of the individuals not covered by the mandate, approximately 21.9% are covered by government-sponsored health insurance; 26.7% are covered by employer coverage, which is

governed by the federal [ERISA](#); and the remaining 4.8% are uninsured. Additional details are presented in **Figure 3**.

Figure 3 — Population Covered by Insurance Plans Regulated by Iowa Law

Type of Coverage	Iowa Population	Percent of Population
Total Population 2024	3,241,488	100.0%
Included in Mandate		
Individual Coverage	143,597	4.4%
Fully Insured Small Employer Group	129,342	4.0%
Fully Insured Large Employer Group	286,029	8.8%
Self-Insured Public Employees*	215,000	6.6%
State of Iowa Plan	55,000	1.7%
Medicaid + Children’s Health Insurance Plan	681,397	21.0%
Total	1,510,365	46.6%
Not Included in Mandate		
Employer (self-insured + other types not listed)	864,752	26.7%
Uninsured	156,600	4.8%
Other Public (Military, Tricare, Veterans Affairs)	24,100	0.7%
Medicare	685,671	21.2%
Total	1,731,123	53.4%

*Represents total population 2020.

Sources: Iowa Insurance Division and Wellmark

Assumptions

- It is unknown how prohibiting prior authorization and additional utilization review requirements for cancer-related screenings as restricted by the Bill will impact the BOR universities’ health care plans.
- According to the BOR, any increase in the utilization of services may increase revenues or decrease costs to the UIHC as a provider, but any such impact cannot be quantified at this time.
- Medicaid provider rates and managed care capitation rates may increase due to the prior authorization changes in the Bill. These costs are currently indeterminable.
- According to Wellmark, prohibiting prior authorization and additional utilization review requirements for cancer-related screenings, as required by the Bill, is not expected to have a significant impact on costs to the State of Iowa plan.

Fiscal Impact

The fiscal impact for Division II cannot be determined. It is unknown whether Division II will increase costs to the BOR universities’ health care plans by prohibiting prior authorization and additional utilization review requirements for cancer-related screenings that meet the requirements of the Bill. Division II may impact Medicaid provider rates and managed care capitation rates due to the prior authorization changes in the Bill. Division II may increase revenues to the UIHC as a provider if increased utilization of services occurs.

Division III — Prior Authorizations — Life-Threatening Health Conditions

Description

Division III of the Bill relates to prior authorization requirements for life-threatening health conditions and does the following:

- Prohibits prior authorization and additional utilization review requirements for diagnosis and treatment of a life-threatening health condition while the covered person is receiving treatment at an inpatient facility and meets other requirements of the Bill.
- Authorizes the Commissioner of Insurance to adopt administrative rules to administer this Division.

Division III of the Bill is applicable to health benefit plans delivered, issued for delivery, continued, or renewed beginning January 1, 2027, and to requests for prior authorization for diagnosis and treatment of a life-threatening health condition that meet additional requirements of the Bill.

Background

Division III is estimated to affect approximately 25.6% of the population (829,000 people). Additional details are presented in **Figure 2**.

Assumption and Fiscal Impact

The fiscal impact for Division III cannot be determined. It is unknown how prohibiting prior authorization and additional utilization review requirements for the diagnosis and treatment of life-threatening health conditions, as required by Division III, will impact costs to the State of Iowa and BOR universities' plans.

Division IV — Utilization Review Organizations — Prepayment Audits

Description

Division IV of the Bill relates to URO requirements and does the following:

- Requires health carriers and UROs that conduct audits of health care provider claims to meet notification and determination timeline requirements.
- Requires adverse audit determination appeals by health care providers and the final determination on appealed claims by health carriers and UROs to meet timeline requirements.
- Requires health carriers and UROs that violate Division IV of the Bill to automatically approve and promptly pay the corresponding health care provider claim.
- Authorizes the Commissioner of Insurance to adopt administrative rules to administer this Division.

Division IV of the Bill is applicable to audits initiated on or after January 1, 2027.

Background

Iowa Code section [507B.4A](#) requires an insurer providing accident and sickness insurance under Iowa Code chapter [509](#), [514](#), or [514A](#); a health maintenance organization; or another entity providing health insurance or health benefits subject to State insurance regulation must either accept and pay or deny a clean claim. When an insurer or other entity that administers or processes claims fails to timely pay a claim, interest accrues at a rate of 10.0% per annum.

Assumptions and Fiscal Impact

The fiscal impact for Division IV cannot be determined. It is unknown how audits of health care provider claims may impact administrative costs to the State of Iowa and BOR universities' health care plans.

Fiscal Impact Summary

Senate File 2421 may increase costs to the health care plans of the State of Iowa, the BOR universities, and Medicaid. Any potential fiscal impact is unknown, but may be significant.

Sources

Board of Regents

Department of Administrative Services

Department of Health and Human Services

Department of Insurance and Financial Services, Iowa Insurance Division

Wellmark

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
