

CLIENT ALERT



## No Moratorium on State AI Laws in the Federal Budget Bill: Implications for Healthcare and Life Sciences Industry

JULY 9, 2025

With the signing of the budget and tax bill—also known as the “One Big Beautiful Bill Act”—by President Trump on July 4, 2025, the federal government has decided that it will not attempt to preempt various state efforts to regulate the use of artificial intelligence (AI) technologies. While prior versions of the budget and tax bill (the Budget Bill) contained a purported moratorium on enforcement of existing state laws or regulations on various AI technologies or the future promulgation of new state AI laws, the final version did not contain that provision. This development is particularly relevant for healthcare and life sciences entities that employ AI technologies in product development or in the delivery of clinical care in states that have enacted regulations on AI use.

When the House of Representatives passed its version of the Budget Bill on May 22, 2025, it included an “Artificial Intelligence and Information Technology Modernization Initiative,” which stated that “no state ... may enforce any law or regulation regulating artificial intelligence models, artificial intelligence systems, or automated decision systems during the 10-year period” from the enactment of the Budget Bill.<sup>[1]</sup> When the Budget Bill was first debated in the Senate, the Senate version of the Budget Bill amended the House prohibition on AI regulation as a condition for federal funding from the Broadband Equity, Access, and Deployment Program (BEAD), which is deployed to assist in the expansion of high-speed Internet access and use.<sup>[2]</sup> Further wrangling within the Senate and with the Senate parliamentarian had left the details of the proposal in question, according to media reports.<sup>[3]</sup> The Senate eventually voted 99-1 to drop the proposed moratorium entirely from the Budget Bill.<sup>[4]</sup>

### CURRENT STATE REGULATION OF AI TECHNOLOGIES IN THE HEALTHCARE INDUSTRY

The proposed moratorium, if passed, would have had a considerable impact on the current and future regulation and enforcement of AI, including AI in the healthcare sector. Several states have recently implemented laws and regulations that affect the use of AI by healthcare providers and entities. For example, California enacted a law in 2024 that restricts the use of healthcare-related AI, algorithms, and similar software tools, such as a requirement that insurers ensure that medical treatment decisions are made by healthcare providers rather than based solely on AI or algorithms.<sup>[5]</sup> Utah also enacted a law that set disclosure requirements on entities that use AI in their interactions with customers.<sup>[6]</sup> In Colorado, certain “high-risk” AI developers—including developers of healthcare-related AI—will be required to use “reasonable care” to protect consumers from “any known or reasonably foreseeable risks of algorithmic discrimination” beginning in 2026, and insurers specifically already need to comply with state regulations regarding the use of consumer data, algorithms, and predictive models.<sup>[7]</sup> Most recently on June 22, 2025, Texas

enacted its AI law, which prohibits the development or use of AI with the intent to discriminate against a protected class and requires that a healthcare provider disclose use of AI to consumers.<sup>[8]</sup>

With Congress abandoning, for now, its effort to preempt the evolution of the regulatory environment for AI technologies, healthcare and life sciences industry stakeholders should ensure that their products, services, and operational protocols comply with the ever-growing patchwork of state laws and monitor any new regulations or guidance from states. Risk mitigation efforts should include the maintenance of a strong internal audit and technology governance system that guards against potentially unlawful discrimination or other unintended harms to the public including, where mandated, appropriate consumer disclosure communications.

If you have any questions regarding this or related subjects or if you need assistance, please contact the authors of this article or your Winston & Strawn relationship attorney. You can also visit our [White Collar & Government Investigations Practice webpage](#) and our [Health Care Practice webpage](#) for more information on this and related subjects.

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[1] Memorandum from Comm. Energy and Com. Majority Staff, Full Comm. Markup May 13, 2025 (May 11, 2025), <https://docs.house.gov/meetings/IF/IF00/20250513/118261/HMKP-119-IF00-20250513-SD003.pdf>.

[2] S. Comm. Com., Sci., & Transp., Budget Reconciliation Bill, Section\_00012 (June 5, 2025), <https://www.commerce.senate.gov/services/files/AD3D04CF-52B4-411F-854B-44C55ABBADDA>.

[3] See, e.g., Anthony Adragna, *Parliamentarian Requests AI Moratorium Rewrite*, Politico (June 6, 2025), <https://www.politico.com/live-updates/2025/06/26/congress/parliamentarian-requests-cruz-rewrite-ai-moratorium-00427371>; see also Julia Shapero, *GOP Senators Reach Deal on AI Regulation Ban*, The Hill (June 29, 2025), <https://thehill.com/policy/technology/5376235-blackburn-cruz-ai-provision-deal/>.

[4] David Morgan & David Shepardson, *US Senate Strikes AI Regulation Ban from Trump Megabill*, Reuters (July 1, 2025), <https://www.reuters.com/legal/government/us-senate-strikes-ai-regulation-ban-trump-megabill-2025-07-01/>.

[5] Physicians Make Decisions Act, S.B. 1120, 2024 S. (Cal. 2024).

[6] Artificial Intelligence Policy Act, S.B. 149, 2024 S. (Utah 2024).

[7] Concerning Consumer Protections in Interactions with Artificial Intelligence Systems, S.B.24-205, 2024 S. (Colo. 2024); 3 Colo. Code Regs. § 702-10.

[8] Responsible Artificial Intelligence Governance Act, H.B. 149, 2025 H.R. (Tex. 2025).  
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