

Battle of Hospital A.I. vs. Insurer A.I. Is Pushing Medical Costs Higher

The use of artificial intelligence by hospitals and health insurers is escalating their longstanding feud over paying for medical care.

By [Reed Abelson](#) and [Teddy Rosenbluth](#) – The New York Times
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In the latest sign that artificial intelligence is fueling higher health care costs, a group of insurers released [a report](#) Thursday claiming that hospitals' use of A.I. was responsible for nearly \$1 billion in additional expenses over two years.

Using codes for various medical conditions, hospitals submitted claims for tens of thousands of patients that described their illnesses as more complex in 2024 and 2025 than in 2023. Despite the added conditions, there was no evidence that the patients had received different treatment from the hospitals, according to the analysis by the Blue Cross Blue Shield Association, which represents state Blue Cross plans.

Using A.I. tools, hospitals are collecting more information about their patients, and submitting bigger claims, the association said.

"Coding is changing because of this technology," said Luke Chalker, a senior vice president at the association. By describing patients as having more complicated conditions and adding a secondary diagnosis, like anemia or low sodium, the hospitals were paid an average of nearly \$12,000 more per case.

A.I. has become an increasingly powerful tool in the continuing coding wars between insurance companies on one side and hospitals and doctors on the other. Hammered by lawmakers at congressional committees, company executives and hospital officials have been pointing their fingers at each other for spiraling health costs.

Dr. David Brailer, a health technology executive and former government health official, said A.I. would lower the costs of the weapons in these battles over billing. In a recent [piece](#) in Health Affairs, an academic journal, he predicted A.I. would be likely to increase overall health care spending.

Dr. Brailer, who oversaw the George W. Bush administration's push to encourage the adoption of electronic health records, said hospitals had quickly seized on that new technology to bill more by being better able to document their care.

"I don't think there is anything intrinsically different in A.I. that will escape the market forces," he said.

Just as providers are using sophisticated A.I. tools to say their patients are sicker, insurance companies have been accused of using the tools to delay or deny care. The companies have come under intense criticism for their use of A.I. when requiring prior approval of treatments and medicines. A new [pilot program](#) in Medicare that relies on sophisticated technology to help determine whether certain kinds of care should be covered has come under attack by some lawmakers.

While Medicare and the insurers insist they never deny care without oversight from a medical professional, the tools are adding to the overall friction between the parties. Patients are often caught in the middle, left with unpaid bills or denied care.

“All the insurers are using A.I. to scan our charts to look for claims to deny. For the same reason, we’re looking at the same charts today,” said Dave Mazurkiewicz, the chief financial officer for McLaren Health Care, a small Michigan health system. McLaren buys A.I. technology from SmarterDx, which takes a cut of the additional revenues it generates.

Mr. Mazurkiewicz said A.I. helped a doctor better document a patient’s condition, like suggesting that the physician record the severity of a patient’s kidney disease to justify a higher payment for care. If a doctor ordered a test, the tool might remind the physician that failing to document a potential diagnosis from that test would make it unbillable. McLaren has increased its revenue by \$1 million a month through its adoption, adding to its small profits, according to Mr. Mazurkiewicz.

While A.I. could ease tensions between insurers and hospitals and save money, it could also do the opposite, acknowledged Dr. Shiv Rao, a cardiologist who founded Abridge, which offers A.I. tools documenting patient care.

“That’s the danger,” he said, “where it’s bots fighting bots, agents fighting agents, a horrible dystopic future nobody wants to live in.”

The technology has already intensified the battles between insurers and hospitals, going several rounds over whether the insurer should pay a specific claim or authorize a treatment, said Caroline Pearson, the executive director of the Peterson Health Technology Institute, a nonprofit group that recently looked at the [potential](#) of A.I. to add to already high administrative costs.

Both sides are willing to go these extra rounds “because it’s cheap,” she said.

But as more hospitals and doctors use A.I., costs will continue to rise. Benefit consultants and insurers cite it as [one of the factors](#) that could lead to double-digit increases next year. A recent survey of employers suggested that costs could go up as much as 11 percent next year for employers unless they cut back on benefits.

“We’re still in the early period of that,” said Eric Miller, an executive with Segal, which advises companies on their benefits.

Mr. Chalker, representing Blue Cross, said the insurance plans were the main victims of this new wave of technology.

“It’s not a war,” he said. “It is a completely one-sided blood bath.” The Blue Cross plans are not using A.I. technology to administer claims, he said, although they are using it to guard against inappropriate billing.

Some companies developing this technology are focused on maximizing the amount that providers can collect.

“There is a different version of A.I. that is optimizing for revenue,” said Amber Nigam, whose technology company, Basys.ai, advises private insurers and the Medicare program on how to review claims and spot potential abuses. “I am really, really concerned about what I’m seeing right now.”

By using sophisticated technology, the tools are becoming very skilled at packaging information, even combining treatments or conditions from different years, to justify an expensive procedure.

While a human might do that from time to time, the newer technologies appear to do it seamlessly, Mr. Nigam said, making it much harder for the insurers to catch. A payment request might include physical therapy that was provided years ago, for example, to justify back surgery.

These A.I. tools also allow for a much higher number of appeals when insurers deny approval for a procedure or refuse to pay a claim. Insurers are reporting an influx of appeals, with “a few fingerprints” that a large language model has been deployed, Mr. Nigam said. While providers may have given up too easily before the advent of A.I., they may be overly aggressive in appealing these decisions now.

Some experts are less pessimistic. The technology is likely to save money by replacing the number of people needed to handle claims processing. “That frees up a huge share of cost,” said David M. Cutler, a health economist from Harvard.

Dr. Cutler and others say A.I. may also force a difficult conversation about how doctors and hospitals are paid. Insurers and hospitals could agree that the system needs to be much less complicated and focused more on paying for those services and medications that improve a patient’s health.

“It is going to put a ton of pressure on the reimbursement system to be better,” Dr. Cutler said.

At a recent event in New York, executives from Cigna, a large health insurer, and Emory Healthcare, an Atlanta health system, appeared on the same panel to discuss a potential truce in the coding wars. But while they celebrated their coming together, they also warned about an alternate path.

“My nightmare is that we have bots on Emory Healthcare’s side, bots on Cigna’s side that keep talking to each other,” said Dr. Joon S. Lee, the chief executive of Emory Healthcare. “A whole data center could be occupied just doing that.”