



The State of the Industry Heading into 2026

Navigating uncertainty as
industry assumptions unravel

2026 State of the Industry

Navigating uncertainty as industry assumptions unravel

PRESENTATION AT A GLANCE

- I Safety net access** hurtles toward a tipping point, where community care is a patchwork hinging on private support
- Coverage reductions and scrutiny
 - Rural provider vulnerability
 - Local pharmacy instability
 - AMC business model shift

- II Purchaser spend management** strategies reach the limits of generic scale, and delegation to niche experts prevails
- Utilization and spending trends
 - GLP-1 navigation programs
 - Behavioral health platforms
 - Variable copay plans

- III Care decision makers** span new power brokers who exert influence over treatment choices, overlapping with clinicians
- Patient trust and experience
 - Direct-to-consumer sources
 - Medical group ownership
 - AI and automation vendors

Advisory Board's annual **State of the Industry** research

WHAT IT IS

Not just a landscape scan — our stance on the trajectory of healthcare.

Advisory Board's "State of the Industry" presentation equips all healthcare executives with the knowledge and insights to capitalize on today's business opportunities and mitigate tomorrow's market risks.

We cut through the noise to highlight the pivotal shifts happening in healthcare, how stakeholders are responding, and what leaders must consider to stay ahead.

These materials capture and distill the key insights from across all Advisory Board research projects to articulate **our stance on the trajectory of healthcare.**

The long-standing assumptions we're already letting go



Demographic balance



Population asymmetry

An aging and sicker population threatens the industry's ability to pool risk and subsidize lower public payment rates

30%

Increase in median age in the US, 1980-2024



Inpatient care default



Ambulatory expansion

More outpatient capabilities and site-of-care shift incentives push more care to lower-cost ambulatory settings

42%

Increase in outpatient procedure volumes at community hospitals, 1995-2018



Procedure-centric care



Drug proliferation

Drugs are increasingly the frontier of treatment innovation, shifting care delivery to a more pharmaceutical-centric model

51%

Increase in overall pharmaceutical expenditures in the US, 2020-2024



Fee-for-service payments



Hybrid payment model

The (slow) adoption of value-based care continues to transform how healthcare services are delivered and paid

11.6 pt

Increase in share of partial or full value-based payments¹ away from FFS payments, 2018-2023

Source: TrendWatch Chartbook 2020, Supplementary Data Tables, American Hospital Association, 2021; Tichy E, et al. National trends in prescription drug expenditures and projections for 2021, American Journal of Health-System Pharmacy, July 9, 2021; Tichy E, et al. National trends in prescription drug expenditures and projections for 2025, American Journal of Health-System Pharmacy, July 12, 2025; APM Measurement Effort, HCP LAN, 2024 & 2019; "Vintage 2024 Population Estimates by Age, Sex, Race, Hispanic Origin", U.S. Census Bureau, June 2025; "1980 Census of Population, Volume 1, Characteristics of the Population", U.S. Census Bureau, 1980.

The healthcare business as we *now face* it:

Exasperation

+

Inertia

=







Diffusion

Time is up for the industry to mitigate its challenges as social and political support crumbles

Industry incumbents believe they can lead to sustainability, but they have poor results to show

Control over care delivery will disperse across newly essential partners (and partial competitors)

Unraveling assumptions about care delivery

	<u>Foundational assumption</u>		<u>Emerging dynamic</u>
 SAFETY NET ACCESS <i>The care ecosystem tipping point</i>	Baseline subsidy Public funding enables a viable community access baseline		Utilitarian patchwork Access hinges on private support driven by business relevance
 PURCHASER SPEND MANAGEMENT <i>The limits of generic scale</i>	Generalist gatekeeping Uniform cost and quality standards drive network performance		Niche delegation Specific treatments and conditions require unique expert stewards
 CARE DECISION MAKERS <i>The new power brokers</i>	Clinician centrality Treatment decisions orient on the patient-clinician interaction		Sprawling advisors External voices reshape options for patients and clinicians

01

Safety net access

FOUNDATIONAL ASSUMPTION

Baseline subsidy

Public funding enables a viable community access baseline

The government subsidizes enough healthcare funding to make it **financially viable for private players to support a collective safety net**, preserving a minimum baseline level of access to care for the population.



EMERGING DYNAMIC

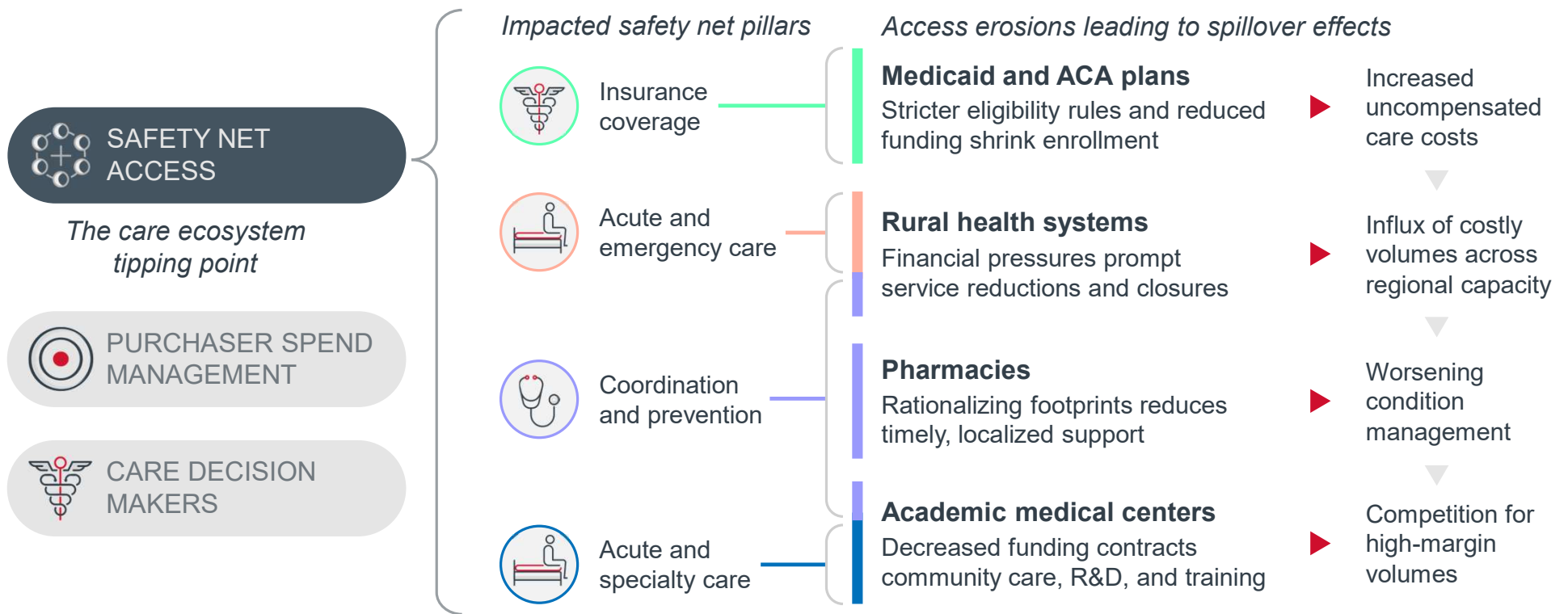
Utilitarian patchwork

Access hinges on private support driven by business relevance

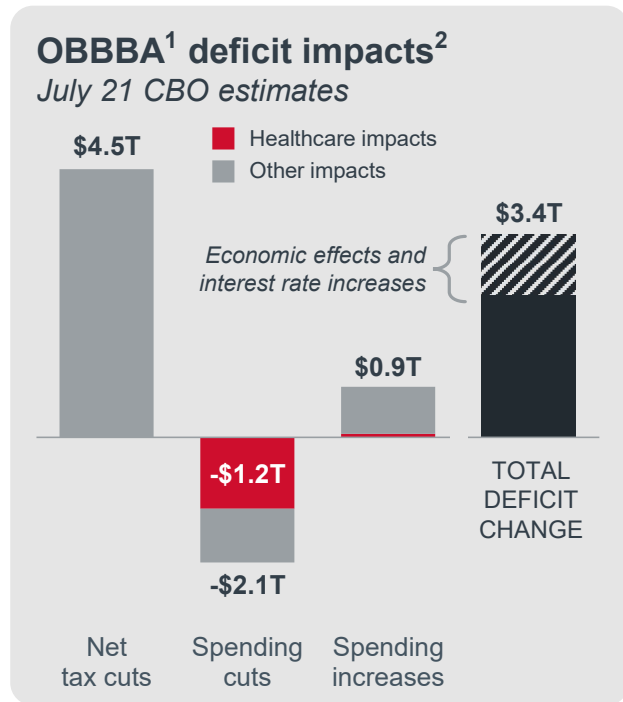
Community access will hinge on its relevance to key business drivers (such as population risk management or referral steerage), widening the holes of the safety net and leading to **more exclusive and selective access**.

A diffusion of responsibility for safety net access

Shrinking safety net makes the consequences of access reductions into a problem for everyone



OBBBA rolls back the safety net



1. One Big Beautiful Bill Act.
2. Projected 10-year (2025-2034) impacts.
3. Summation of estimated Medicare sequestration impacts and major Medicaid state financing restrictions provisions (state-directed payments, MCO taxes, and provider taxes).

Major healthcare policies

- Marketplace tax credit restrictions and Medicaid cost sharing → *reduce affordability*
- Medicaid work requirements → *increase admin burden*
- Medicaid and Marketplace enrollment restrictions and eligibility verification barriers → *increase admin burden*
- State Medicaid financing restrictions → *reduce federal funding to states*
- Medicare sequestration trigger → *reduces federal spending*

Potential healthcare impacts²

14.2M *July 21 estimate*
Projected increase in uninsured people (includes sunset subsidies)
Potential consequences:

- ▲ Uncompensated care
- ▲ Exacerbated health conditions
- ▼ Elective volumes
- ▼ Health plan enrollment

\$910B *July 21 estimate*
Estimated direct reimbursement reduction (includes sequestration cuts)³

Source: H.R. 1, 119th Congress, July 3, 2025; CBO, *Estimated Budgetary Effects of Public Law 119-21, to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, Relative to CBO's January 2025 Baseline*, July 21, 2025; CBO, *Estimated Effects on the Number of Uninsured People in 2034 Resulting From Policies Incorporated Within CBO's Baseline Projections and H.R. 1, the One Big Beautiful Bill Act*, June 4, 2025; CBO, *E&C Reconciliation Recommendations*, May 11, 2025; CBO, *Dynamic Estimate: H.R. 1, One Big Beautiful Bill Act*, June 18, 2025.

Medicaid cuts will drop coverage and strain providers

Major Medicaid provisions in OBBBA¹

ELIGIBILITY



Work requirements

- States **must require** Medicaid enrollees ages 19–64 to work 80+ hours monthly
Effective December 31, 2026



Eligibility Determinations

- States must conduct redeterminations at least **every 6 months** for expansion adults
Effective January 1, 2027



Retroactive coverage

- **Limits retroactive Medicaid coverage** to 1 month for expansion enrollees, 2 months for traditional enrollees
Effective January 1, 2027

FINANCING



Provider taxes

- **Prohibits establishment** of new provider taxes or increasing rates of existing taxes
- **Reduces safe harbor limit** for expansion states by 0.5% yearly until reaching 3.5%
Effective October 1, 2028



State-directed payments

- **Caps state-directed** provider payments
- Grandfathered **payments drop 10% yearly** until reaching 100% of Medicare rates²
Effective January 1, 2028

1. One Big Beautiful Bill Act.

2. 110% for non-expansion states.

Potential impact of policy changes

Reduced enrollment

7.5M

Projected Medicaid disenrollment by 2034 with new policies

Uncompensated care

\$84B

Projected increase in hospital uncompensated care by 2034

Less preventive care

7.2

Fewer prescription fills per individual associated with losing Medicaid coverage for a year

Provider exits



Lower reimbursement and increased financial strain may prompt providers to leave Medicaid networks

Source: [Distributional Effects of Public Law 119-21](#). CBO. August 11, 2025; [Tracking the Medicaid Provisions in the 2025 Reconciliation Bill](#). KFF. July 8, 2025; Nelb R. [Additional hospital uncompensated care costs projected under proposed senate revisions to h.R. 1](#). America's Essential Hospitals. June 2025; Schwartz A, et al. [Medicaid Disenrollment, Subsidized Drugs, & Mortality](#). Penn LDI. May 23, 2025. [Under GOP's Medicaid Plan, 10 Million People Would Lose Coverage By 2034](#). KFF Health News. May 2025.

A looming reversal in the Marketplace momentum

Federal policies target ACA enrollment...

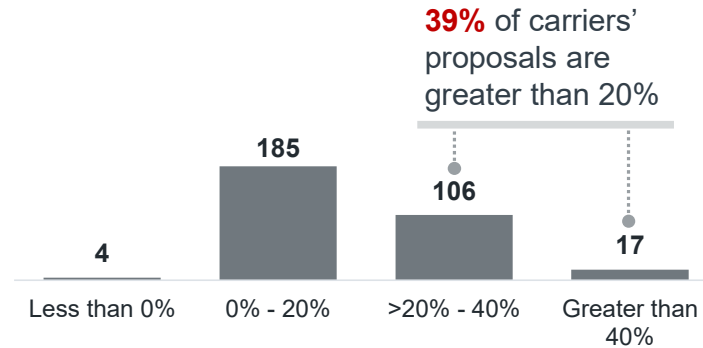
- STOP End of enhanced subsidies**
 - Enhanced subsidies to expire end of 2025
 - Marketplace enrollment doubled from **11.4M** to **24.3M** with enhanced subsidies
- OBBBA¹ and Marketplace integrity final rule²**
 - Pauses SEP³ for low-income individuals
 - DACA recipients lose eligibility
 - Stricter income verification
 - Pre-enrollment SEP verification

- Navigator cuts**
 - Navigator funding reduced by 90%
 - Impact will most affect rural, Latino, and non-English speaking populations

1. One Big Beautiful Bill Act. 3. Special enrollment period.
 2. Legal action pending. 4. Excludes final rule changes under litigation.

...and will lead to increased premiums

Number of carriers by size of proposed 2026 individual premium increases



“The expiration of these federal benefits ... will **shrink the population with coverage and worsen the risk pool requiring higher premiums** for the remaining members.”

Blue Cross Blue Shield of Vermont

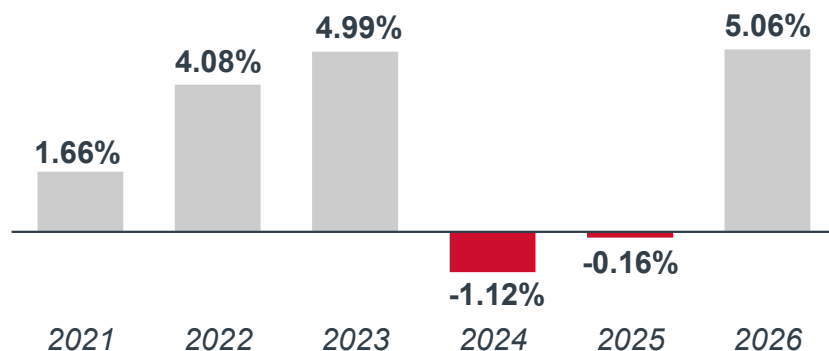
6.7M Projected additional uninsured individuals due to Marketplace subsidy expiration and Marketplace changes from OBBBA, by 2035⁴

Sources: [The Estimated Effects of Enacting Selected Health Coverage Policies on the Federal Budget and on the Number of People With Health Insurance](#). CBO. September 18, 2025. [Distributional Effects of Public Law 119-21](#). CBO. August 11, 2025; [Letter to Chairman Arrington and Chairman Smith Concerning Premium Tax Credits](#). CBO. December 5, 2024; Ortaliza J, et al. [How will the One Big Beautiful Bill Act affect the ACA, Medicaid, and the uninsured rate?](#) KFF. June 18, 2025; Myerson R, Honglin L. [Information gaps and health insurance enrollment](#). *American Journal of Health Economics*. Vol 8. No. 4; Pestaina K. [A 90% cut to the ACA Navigator program](#). KFF. February 14, 2025; Ortaliza J, et al. [How much and why ACA Marketplace premiums are going up in 2026](#). Peterson-KFF Health System Tracker. August 6, 2025; McGough M, et al. [Early indications of the impact of the enhanced premium tax credit expiration on 2026 Marketplace premiums](#). Peterson-KFF Health System Tracker. June 3, 2025.

MA policy headwinds persist, with some relief in 2026

Annual Medicare Advantage overall payment rates

Expected average change in plan revenue in annual CMS rate announcement (after accounting for risk coding trend)



“This gives everyone in the Medicare Advantage industry some additional breathing room.”
Medicare Advantage plan CEO

1. Risk Adjustment Data Validation.
 2. Healthcare Effectiveness Data and Information Set.
 3. Health Outcomes Survey.
 4. Consumer Assessment of Healthcare Providers and Systems.

Major recent policy changes



Risk adjustment

- Complete phase-in of new V28 risk adjustment model
- Retroactive RADV¹ audits for payment years 2018–2024 began in June 2025, and annual RADV audits began in Q3

RADV extrapolation means that error rates identified in the audited sample are now applied to the entire MA contract’s population for that year. Instead of just members in the audited sample.



Part D changes

- Out-of-pocket maximum for members now set to \$2,000, down from \$8,000 in 2024
- MA-PD payers now cover 60% of branded drug costs after out-of-pocket maximum, up from 15% in 2024



Star ratings

- Increased emphasis on HEDIS² and HOS³ with decreased emphasis on CAHPS⁴

Source: [2021 Medicare Advantage and Part D Rate Announcement Fact Sheet](#), CMS Fact Sheets, April 2020; [2022 Medicare Advantage and Part D Rate Announcement Fact Sheet](#), CMS Fact Sheets, January 2021; [2023 Medicare Advantage and Part D Rate Announcement](#), CMS Fact Sheets, April 2022; [Fact Sheet: 2024 Medicare Advantage and Part D Rate Announcement](#), CMS Fact Sheets, March 2023; [2025 Medicare Advantage and Part D Rate Announcement](#), CMS Fact Sheets, April 2024; [2026 Medicare Advantage and Part D Rate Announcement](#), CMS Fact Sheets, April 2025; [Why RADV extrapolation is reshaping Medicare Advantage economics](#), *reveleer*, August 2025.

MA plans focused on sustainable margins over growth

Medicare Advantage (MA) plans seek to better manage costs



Plan exits

CVS, Centene, Humana, and UnitedHealthcare (UHC)¹ all exited MA counties in 2025



Special needs plans

D-SNPs and C-SNPs are growing faster than conventional MA plans



HMO plans

Several MA plans have cut broker commissions on PPO products, as HMO growth outpaces PPOs



Tech investment

Plans are investing in technology — particularly AI — to manage operating costs and increase Stars



Vertical ecosystems

UnitedHealth Group¹ completes \$3.3B acquisition of home healthcare company Amedisys in 2025

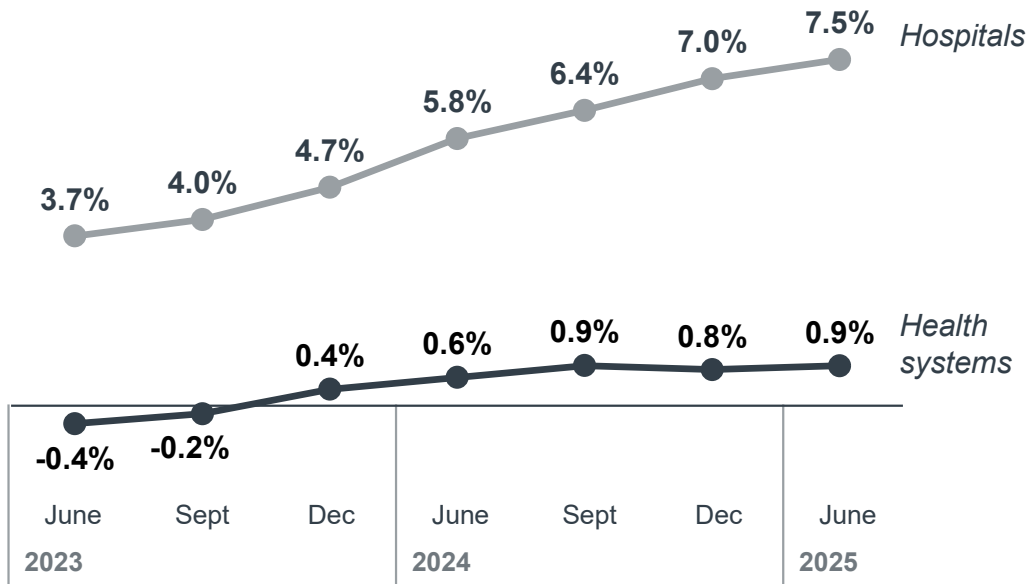
1. Advisory Board is a subsidiary of UnitedHealth Group, the parent company of UnitedHealthcare. All Advisory Board research, expert perspectives, and recommendations remain independent.

Sources: Freed M, Neuman T, Damico A, et al. *Medicare Advantage enrollment update and key trends*. KFF. June 25, 2025

Funding cuts hit as health systems face tepid recovery

Health system margin still shy of sustainable, despite operating margin recovery

Median health system and hospital margin, rolling 12-month average, June 2023-June 2025



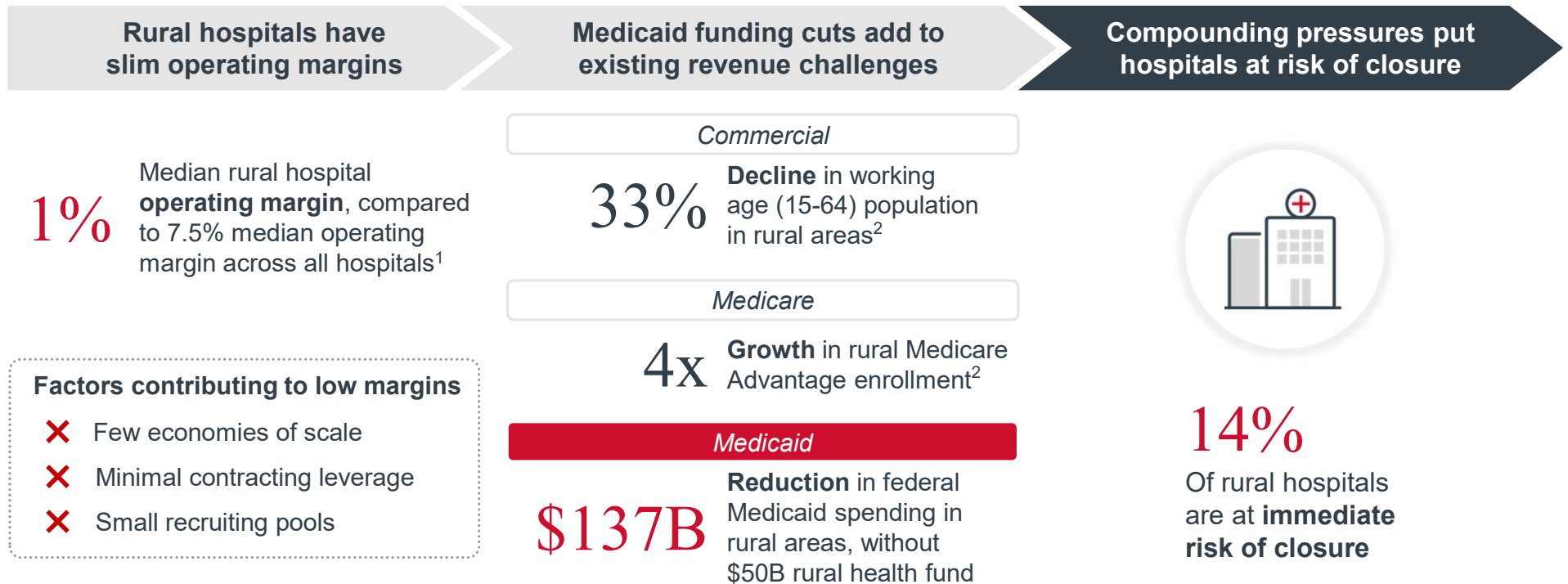
● 14% Year-over-year median growth in median health system margin
JUNE 2025

● 40% Of health systems are operating in the red
JUNE 2025

● 4.5:1 Ratio of S&P credit downgrades to upgrades, not-for-profit hospitals
JANUARY 2025

Source: Syntellis Performance Solutions. Accessed July 2025. Goldstein L. [Page of Downgrades Slowed in 2024: Five Key Takeaways](#). Kaufman Hall. January 22, 2025.

Medicaid cuts compound rural hospital pressures

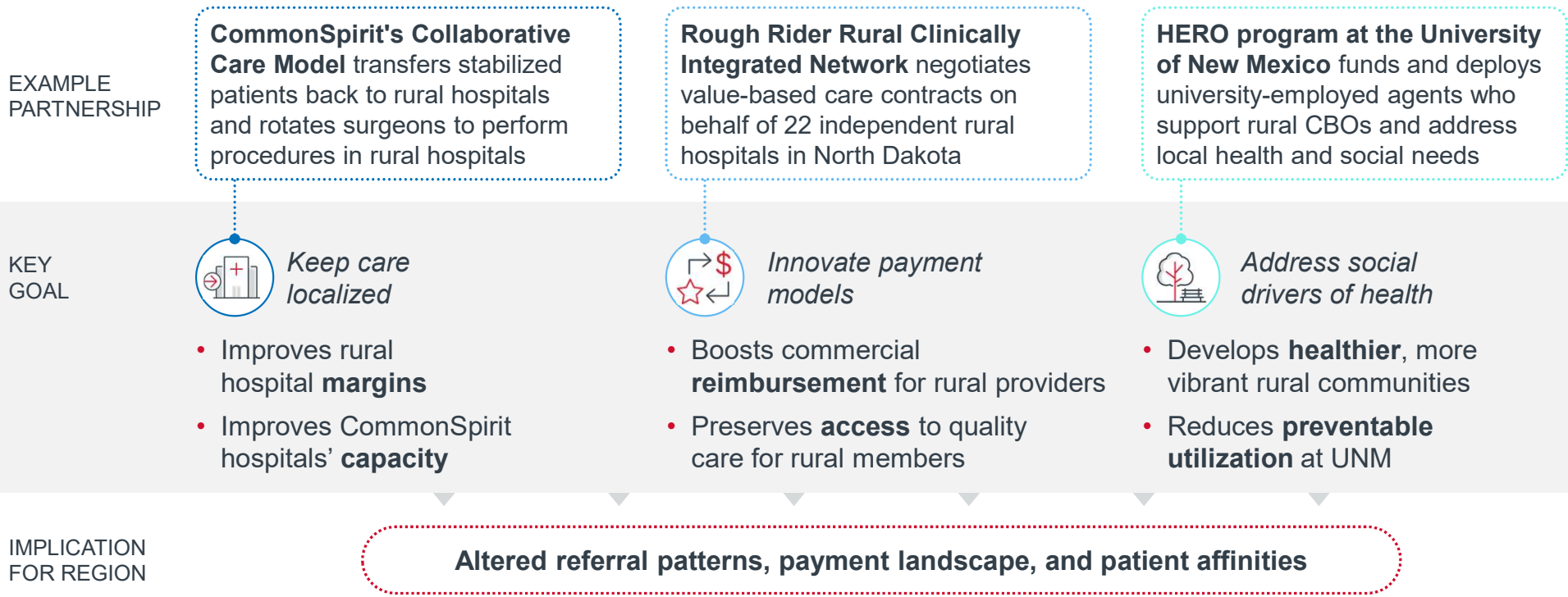


1. 12-month average May 2025.
2. 2010-2023.

Sources: [The Importance of Rural Hospitals – Saving Rural Hospitals](#), CHQPR, Accessed Aug 2025; Topchik M, et al. [2025 rural health state of the state](#), Chartis, Feb 2025; Farrigan T, et al. [Rural America at a Glance: 2024 Edition](#), USDA Economic Research Service, Nov 2024; Biniek JF, et al. [Medicare Advantage Enrollment, Plan Availability and Premiums in Rural Areas](#), KFF, Sept 2023; Saunders H, et al. [How Might Federal Medicaid Cuts in the Enacted Reconciliation Package Affect Rural Areas?](#), KFF, Jul 2025; [Rural Hospitals at Risk of Closing](#).pdf, CHQPR, July 2025.

Interdependencies spur innovative rural partnerships

Sample rural health partnership opportunities



Source: Burns A. [Defining what it means to be a best-in-class rural health system](#). Advisory Board. Feb 2024; Kaufman et al. [Health Extension in New Mexico: An Academic Health Center and the Social Determinants of Disease](#). Annals of Family Medicine. Jan 2010.

Pharmacy closures threaten shrinking frontline access

Retail pharmacy¹ pressures drive closures and consolidation, putting rural communities at greatest risk

Retail pharmacy pressures



Reimbursement

Low reimbursement from PBMs² and slow store traffic



Price

Low generic drug prices that strain profits



Low margins

Reduced margins to be listed as a preferred in-network provider



Major pharmacy closures

Rite Aid

- Filed 2nd bankruptcy, May 2025
- All locations officially closed

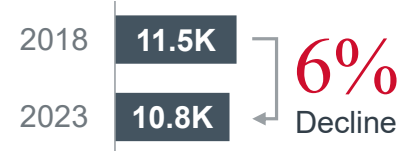
CVS

- 900 stores closed 2022-2024
- 270 stores to close in 2025

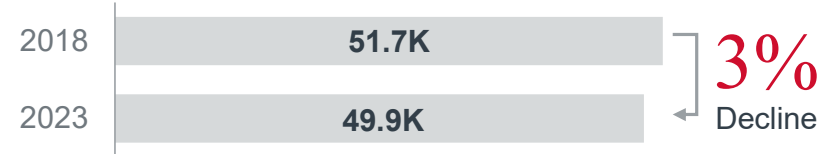
Walgreens

- Splitting into 5 companies
- Closed 15% of stores 2018-2024 and 1,200 more to close by 2027

Net number of rural pharmacies



Net number of non-rural pharmacies



58%

Of people in rural counties do not live within **5 miles** of a retail pharmacy

Essential pharmacy services

- Vaccines
- Contraceptives
- Urgent care
- Patient education

1. Retail pharmacies include chain and independent pharmacies.

2. Pharmacy benefit manager.

Source: Fein A. The 2025 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers. Drug Channels Institute. March 2025; Ulrich F, Keith M. [RUPRI Center for Rural Health Policy Analysis](#). Rural Policy Research Institute. August 2024; Rite Aid intends to file second bankruptcy, announces job cuts. Reuters. May 5, 2025; Cameron H. [CVS closing 270 stores nationwide: List of locations impacted](#). Newsweek. May 28, 2025; Lagatta E. [Walgreens stores closing: Pharmacy chain shutting 1,200 locations](#). USA TODAY. October 16, 2024.

Retail pharmacy decline reshapes the front door to care

Digital pharmacies and health systems target gaps in access as other retail pharmacies exit



E-commerce pharmacies



Health systems

Online pharmacies that accept cash payment and insurance

Health systems with ownership of retail pharmacies

BENEFITS

LIMITATIONS

BENEFITS

LIMITATIONS

- | | |
|---|---|
| <ul style="list-style-type: none"> • Eliminates travel • Guarantees availability before purchase • Allows discounts and promotions | <ul style="list-style-type: none"> • Subject to shipping delays • Limited access to pharmacist counseling and acute care • Privacy and data security risks |
|---|---|

- | | |
|---|---|
| <ul style="list-style-type: none"> • Potential revenue driver • Increases patient access • Enhances care integration | <ul style="list-style-type: none"> • Staffing challenges • Gaps in retail expertise • Limited foot traffic |
|---|---|

EXAMPLE

EXAMPLE

Amazon Pharmacy offers same-day delivery on non-specialty drugs



Offers a subscription service which led to **29%** increase in refills and **30%** decrease in out-of-pocket costs

Advocate Health owns and operates more than 70 retail pharmacies in Wisconsin and Illinois



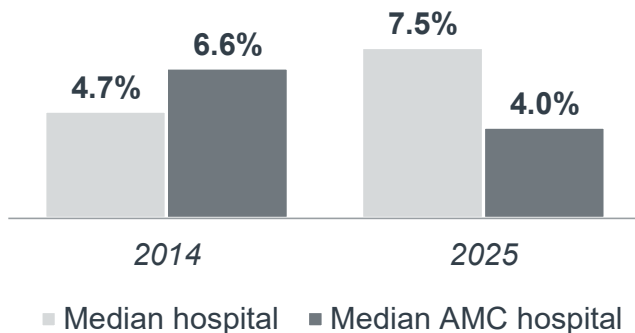
80% of patients with hypertension managed by pharmacists are meeting blood pressure goals

Source: Yeung K, et al. [Pharmacy Subscription Program and Medication Refills, Days' Supply, and Out-of-Pocket Costs](#). *JAMA Network Open*. January 27, 2025; Traynor K. [Health-system pharmacists tout value of operating community pharmacies](#). ASHP News Center. June 26, 2023.

AMC business model stands on shaky foundations

AMC margin erosion threatens stability of academic medicine

National and AMC hospital median margin



63%
Of US medical school revenue comes from care delivery

Federal actions accelerate erosion to core AMC business model



Inpatient-centric care



CMS 2026 OPPS¹ proposes phasing out IPO² list, adding to CPL,³ and expanding site-neutral payments for off-campus drug administration, reducing inpatient revenue



Safety-net provider



Changes to the Medicaid program and expiration of ACA subsidies projected to increase number of uninsured, decrease Medicaid reimbursement



340B and supplementals reliance



Executive order initiating the hospital acquisition cost survey marks the start of the process to reduce funding for 340B



Research and education funding



NIH grant cancellations and uncertain future of indirect costs reduce AMC ability to hire, fund researchers

1. Outpatient Prospective Payment System.
2. Inpatient Only.
3. Covered Procedures List.

Source: Lee C, et al. *Outlook for Academic Medical Centers*. Advisory Board. March 2023; Syntellis Performance Solutions. Accessed July 2025. Advisory Board Analysis of *IV Revenue by Source, FY 1977 through FY 2024*. AAMC. Accessed July 2025; Davis J, Godes D. *Site neutrality is on the menu in the CY 2026 Medicare Outpatient Prospective Payment System proposed rule*. McDermott+. July 24, 2025; Ortaliza J, et al. *How will the One Big Beautiful Bill Act affect the ACA, Medicaid, and the uninsured rate?* KFF. June 18, 2025; Bakst C and Paul L. *340B reimbursement cuts may be looming: What you need to know*. Advisory Board. May 2025; *The impact of federal actions on academic medicine and the U.S. health care system*. AAMC. June 2025; Wosen J. *Permanent injunction issued on Trump cuts to research overhead costs*. Stat+. April 2025.

AMCs pushed to refocus mission and chase growth

Pressures force mission contraction...



...and spur growth activities



Consolidate unprofitable services

Industry impact:
Reduced community access to essential care



Shrink medical school contribution

Industry impact:
Weaker workforce pipelines



Downsize research positions

Industry impact:
Reduced access to innovative treatments



Invest in community footprint

- Maximize hub-and-spoke capacity
- Diversify into risk-based payments

Industry impact:
Greater AMC influence on where care is delivered



Grow outpatient specialty care sites

- Grow commercial volumes
- Capitalize on site-of-care shifts

Industry impact:
Fiercer competition for specialty care volumes




“

Academic health systems **can absorb only so much** without significant harm to biomedical research, medical education, and patient care.”

Chief Policy Officer, AAMC

Source: [The impact of federal actions on academic medicine and the U.S. health care system](#). AAMC. June 2025; Advisory Board interview.

Implications for regional organizations

	Community health systems	SHARED TENSIONS AND CHALLENGES	Regional health plans
 <p>SAFETY NET ACCESS</p> <p><i>The care ecosystem tipping point: Utilitarian patchwork diffuses responsibility</i></p>	<p>Hyper-compete for financially viable volumes</p> <ul style="list-style-type: none"> • Increased share of uncompensated care • Service cuts pressure vital regional capacity • Shifting referral patterns and partnerships 	<ul style="list-style-type: none"> • Dependence on commercial purchasers • Higher acuity needs 	<p>Balance affordability and network stability</p> <ul style="list-style-type: none"> • Enrollment reductions cut revenues and worsen risk pools • Overexposure in fully funded coverage • Bargaining power shifts
 <p>PURCHASER SPEND MANAGEMENT</p>	<p>Distinguish performance at treatment level</p>		<p>Orchestrate connectivity across curated vendors</p>
 <p>CARE DECISION MAKERS</p>	<p>Connect clinician and patient experience</p>		<p>Advocate for local needs amid national standards</p>

02

Purchaser spend management

FOUNDATIONAL ASSUMPTION

Generalist gatekeeping

Uniform cost and quality standards drive network performance

Managing health spend is fundamentally about **wielding sufficiently broad scale**. Large enough risk pools to distribute costs, market power to negotiate comprehensive network contracts, and general utilization management tactics help payers contain enough costs to provide access to a wide network and array of treatment options.



EMERGING DYNAMIC

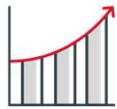
Niche delegation

Specific treatments and conditions require unique expert stewards

Payers are layering on **targeted solutions for specific treatments and conditions** on top of traditional outcomes management tactics as emerging treatments often require specialized expertise, further fragmenting coverage and adding complexity to payer-provider relationships.

Perfect storm of headwinds continue spike in cost trend

Health plan leaders' assessment of key drivers for increased medical spending in 2025 Q1 and Q2



Specialty service utilization

Elevated unit costs

Insurance constraints



Specialty **drugs** (especially infusions and GLP-1s)



Procedure coding and **billing intensity**, aided by AI and automation



Demographic shifts challenging actuarial pricing



Downstream specialty care and outpatient procedures in MA (especially orthopedics)



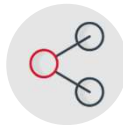
Rate **negotiation** pressure from input cost growth (especially labor)



High-cost claimants outpacing **stop loss** pricing



Behavioral health services (especially ABA¹ for autism)



Out-of-network payment increases through No Surprises Act settlements



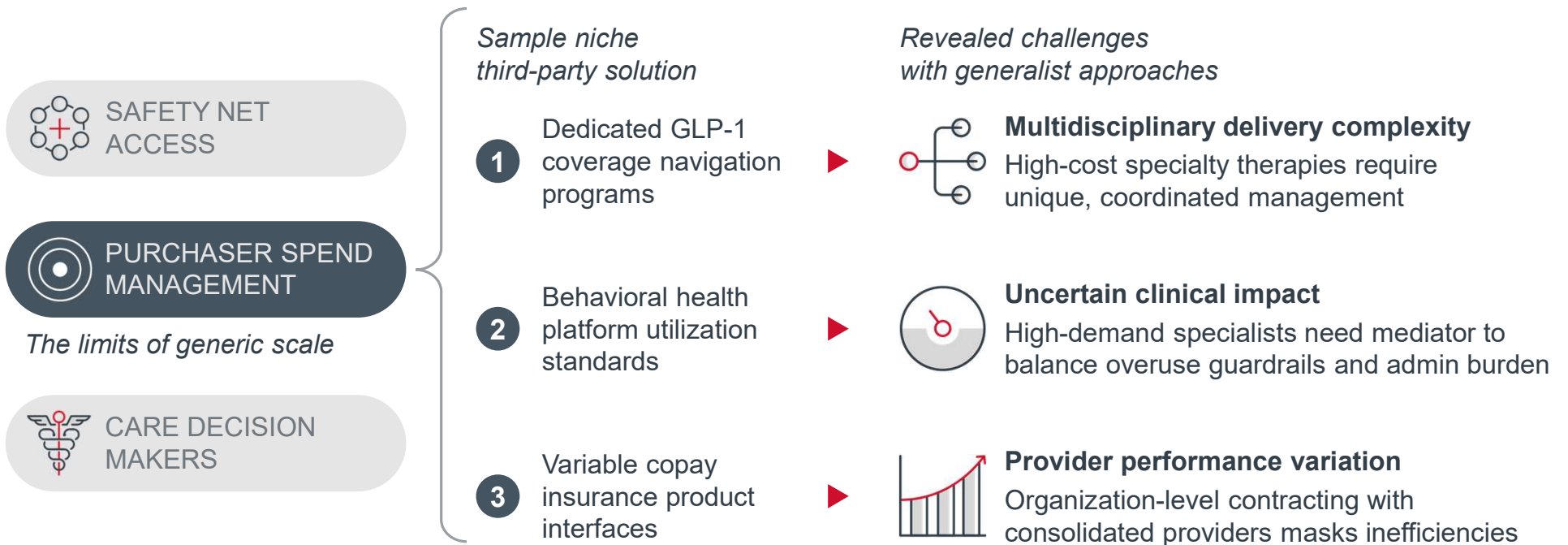
Public scrutiny on utilization management tactics

1. Applied behavior analysis.

Source: Advisory Board health plan executive interviews, 2025; Investor relations Q1 2025 and Q2 2025 earnings call transcripts for \$CI, \$CNC, \$CVS, \$ELV, \$HUM, and \$UNH; accessed through www.investing.com.

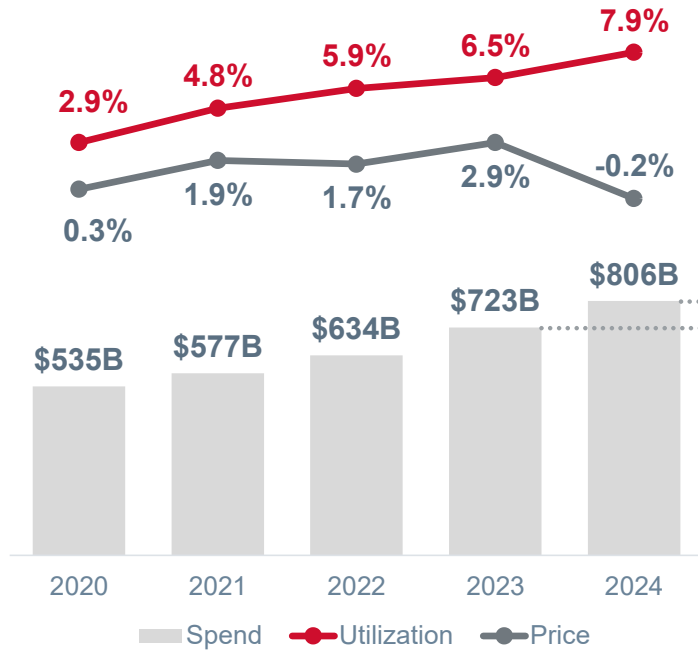
A diffusion of ownership over spend management

Cost drivers create an opportunity for new players to carve out a member management niche



Drug spend still on the rise, driven by GLP-1 utilization

National drug spending and YOY growth in drug utilization and price



11%
Increase in national drug spend from 2023 to 2024

47%
Portion of increase in drug spend attributed to **weight management drugs**

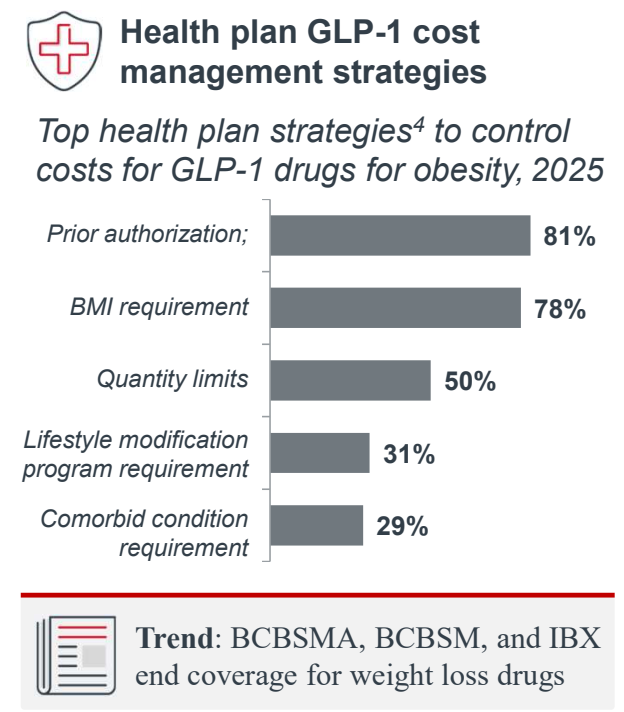
Top drugs by spend in 2024	Spend	% Change from 2023
Semaglutide (GLP-1) <i>Weight management, diabetes</i>	\$54B	39.4% ▲
Tirzepatide (GLP-1) <i>Weight management, diabetes</i>	\$31B	140.4% ▲
Adalimumab (<i>Humira</i>) <i>Inflammatory conditions (e.g., joints, skin)</i>	\$28B	-20.9% ▼
Apixaban (<i>Eliquis</i>) <i>Blood thinner – treats and prevents clots</i>	\$26B	18.1% ▲
Empagliflozin (<i>Jardiance</i>) <i>Diabetes, chronic kidney disease, cardiovascular disease</i>	\$21B	28.9% ▲

Sources: Tichy E, et al. National trends in prescription drug expenditures and projections for 2021. Am J Health Syst Pharm. July 9, 2021; Tichy E, et al. National trends in prescription drug expenditures and projections for 2022. Am J Health Syst Pharm. July 8, 2022; Tichy E, et al. National trends in prescription drug expenditures and projections for 2023. Am J Health Syst Pharm. July 7, 2023; Tichy E, et al. National trends in prescription drug expenditures and projections for 2024. Am J Health Syst Pharm. July 8, 2024; Tichy E, et al. National trends in prescription drug expenditures and projections for 2025. Am J Health Syst Pharm. July 12, 2025; Pharmacy in Focus. Evernorth Health Services. Accessed July 2025.

GLP-1s create a cost crisis without a clear cure

GLP-1s present triple-threat that minimizes the impact of traditional UM¹

	<p>Cost The list price is \$11,000-\$16,000 PMPY,² with a potentially large population of eligible members</p>	▶ 40%	Of adults under 65 with private insurance could be eligible for a GLP-1 drug
	<p>Complexity of use GLP-1s can warrant lifelong use, and discontinuation can lead to reversal of health improvements</p>	▶ 50%	Of patients using GLP-1s for weight loss discontinued use within 12 months
	<p>Expanding usage Off-label prescribing for use beyond type 2 diabetes has driven utilization and demand</p>	▶ 3+	Expanded uses expected by 2028: Alzheimer's disease, MASH, ³ and Chronic Kidney Disease



1. Utilization management. 2. Per member per year. 3. Metabolic dysfunction-associated steatohepatitis. 4. n=30.

Source: How many adults with private health insurance could use GLP-1 drugs. Peterson-KFF Health System Tracker. Accessed August 1, 2025; Pharmacy in Focus: Navigating the GLP-1 conundrum. Evernorth Health Services, Accessed August 1, 2025; Trends in Drug benefit Design Report. PSG. Spring 2025; Truitt B. Blue Cross Blue Shield of Massachusetts will stop covering popular drugs for weight loss. CBS News Boston. April 18, 2025.

PBMs weigh in on GLP-1 coverage strategies

Key vendor solutions



Behavior management

Lifestyle programs help to create behavioral change and manage comorbidities, reducing total cost



Telehealth support

Digital platforms provide clinical oversight and monitor adherence and usage



Financial modeling

Vendors offer cost predictions for payers and flexibility with varying financial models

Notable features of PBMs' holistic offerings to control GLP-1 spend

CVS Caremark

CVS Weight Management

- Partners with **Ceclia Health** to provide nutrition therapy
- Partners with **Omada Health** for exercise and behavioral health support
- Offers an interactive app called **Weight Coach**, which connects to a scale and other devices

Evernorth

EncircleRx, EnReachRx, EnGuide

- Partners with **Omada** to offer one-on-one health coaching
- Coordinates patient support through **partner pharmacies**
- Offers **dose optimization** support and fraud, waste, and abuse detection
- Free GLP-1 delivery** to home and extended payment plans

Optum Rx¹

Weight Engage

- Offers plans flexibility** to choose most-at-risk obesity populations
- Two behavior change models** plans can elect
- Enhanced adjudication system** to reduce off-label utilization and oversupply

REPORTED RESULTS

CVS Caremark clients who adopted the program **spent up to 26% less** on GLP-1 medications for weight loss

- Created industry's first **financial guarantee** for GLP-1 spend
- EncircleRx has saved clients **\$200 million** since launch

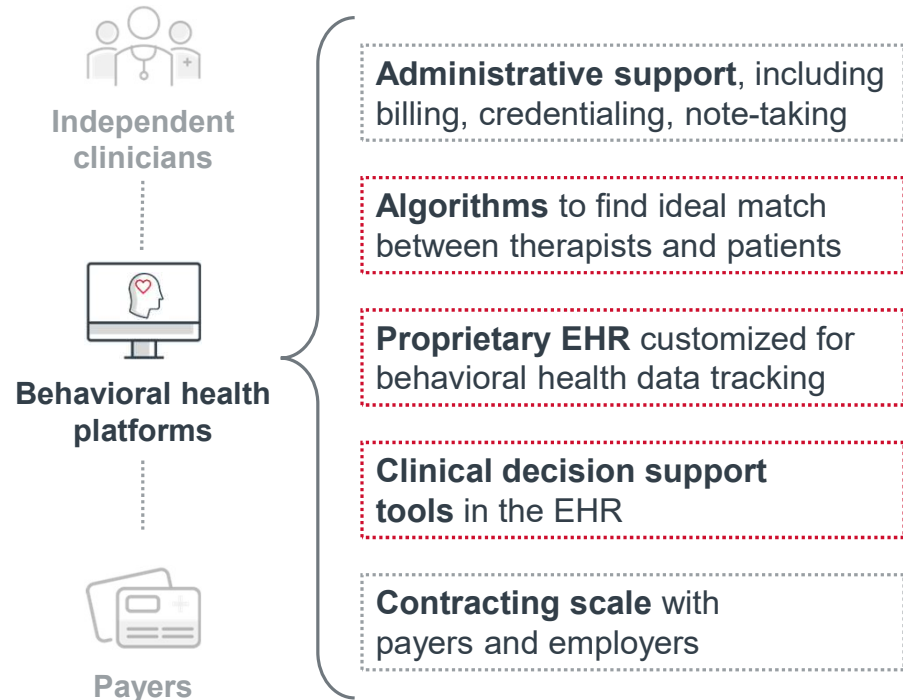
Plans with Optum Rx strategies saw **GLP-1s contribute 50% less** toward overall growth rate

1. Advisory Board is a subsidiary of UnitedHealth Group, the parent company of Optum Rx. All Advisory Board research, expert perspectives, and recommendations remain independent.

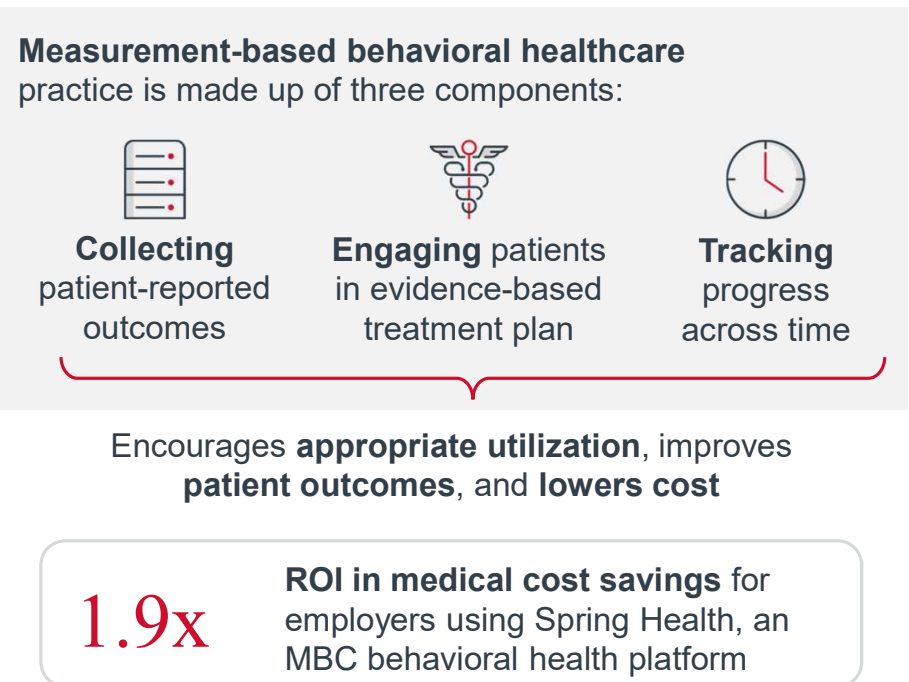
Sources: Lee M, et al. [Trends in Drug Benefit Design Report](#). PSG. Spring 2025; [CVS Weight Management program improves health outcomes while also lowering costs](#). CVS. March 14, 2025; [New solution meets changing needs amid GLP-1 demand](#). Evernorth. Accessed July 31, 2025; [Express Scripts expands Patient Assurance Program to drive affordability and access to GLP-1s](#). Evernorth. July 10, 2025; Einodshofer M, et al. [Tipping the scales: A smart strategy for handling the new class of weight loss drugs](#). OptumRx. September 2023; [Weight Engage: An Innovative Weight Management Solution](#). Optum. Accessed July 31, 2025.

BH platforms leverage network to improve outcomes

Digital behavioral health (BH) platforms attract independent clinicians with a suite of enablement tools



Behavioral health platforms leverage scale and tech to drive adoption of measurement-based care (MBC)



Source: [Measurement-based care](#). APA. Aug 2022; Hawrilenko M, et al. [Return on Investment of Enhanced Behavioral Health Services](#). JAMA. Feb 2025

Variable copay plans gaining traction to steer members

Variable copay plans incentivize members to choose high-quality, low-cost providers

KEY FEATURES



No or low deductibles

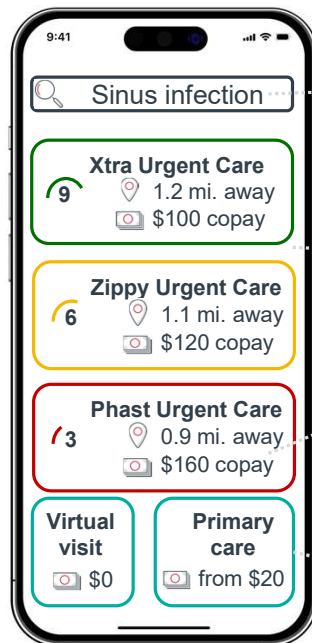


Provider scores based on quality and cost at the location and/or service level

NOTABLE PLAYERS

- **Surest (UHC):** “Smart copays” vary by provider, site, service, and condition
- **SimplePay (Aetna) / Coupe Health (BCBS):** Color tiering by facility; single monthly bill of copays

SAMPLE INTERFACE



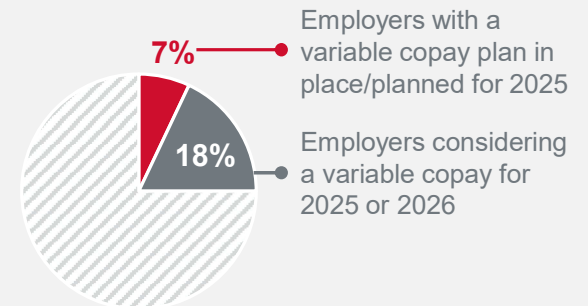
Members search for a **specific service or condition**

Members see a ranked list of providers with **up-front costs**

Members **pay more** for **lower ranked** providers

Member **costs vary** by type of care and/or site of care

Products catch employers' eyes...






...but skepticism remains

- Up-front costs not always accurate
- Require competitive provider market
- Require member engagement

Sources: [Employers: A health benefit that actually feels like a benefit](#), Surest. Accessed July 31, 2025; [Minemyer P. UnitedHealthcare rebrands Bind plans as Surest as it eyes further growth](#), Fierce Healthcare. August 11, 2022; [Harshey T, Umland B. New survey: Needle starting to move on alternative medical plans](#), Mercer. June 20, 2024; [How It Works. Surest](#). Accessed July 31, 2025; [Surest Enrollees Have 54% Lower Out-of-Pocket Costs and 11% Lower Total Medical Costs than Other Commercially Insured Individuals](#), UnitedHealth Group. December 2023; [Coupe Health for Group Health Plan Brokers](#), Coupe Health. Accessed July 31, 2025; [Coupe Health provides simple, cost-saving alternative to standard health plans](#), Blue Cross MN. Accessed July 31, 2025.

Implications for regional organizations

	Community health systems	SHARED TENSIONS AND CHALLENGES	Regional health plans
 SAFETY NET ACCESS	Hyper-compete for financially viable volumes		Balance affordability and network stability
 PURCHASER SPEND MANAGEMENT <i>The limits of generic scale:</i> Niche delegation diffuses ownership	Distinguish performance at treatment level <ul style="list-style-type: none"> • Reduced direction over referral integrity • Increased standards for high-margin procedures 	<ul style="list-style-type: none"> • Contracting complexity • Eroded brand identity • Fragmented care 	Orchestrate connectivity across curated vendors <ul style="list-style-type: none"> • “Co-opetition” with vendor product entrants • Diminishing returns from traditional utilization management and broad network
 CARE DECISION MAKERS	Connect clinician and patient experience		Advocate for local needs amid national standards

03

Care decision makers

FOUNDATIONAL ASSUMPTION

Clinician centrality

Treatment decisions orient on the patient-clinician interaction

Healthcare treatment decisions are **centered around the patient-clinician interaction**, with a reliance on clinicians as trusted authorities with the sole influence over creating an appropriate treatment plan.



EMERGING DYNAMIC

Sprawling advisors

External voices reshape options for patients and clinicians

Treatment decisions are increasingly **influenced by voices and dynamics beyond traditional relationships**. Widespread patient dissatisfaction coupled with activities by technology vendors, social media, and other third parties add greater complexity to the patient-clinician relationship, diffusing influence over care decisions.

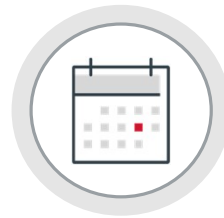
A look at the patient experience – from their view

Patients are frustrated with care costs, access, and experience



36%

Of adults have skipped or **postponed care due to cost** in the past 12 months, 2025



31 day

Wait time for a new patient specialty physician appointment in 2025, up 19% since 2022



52%

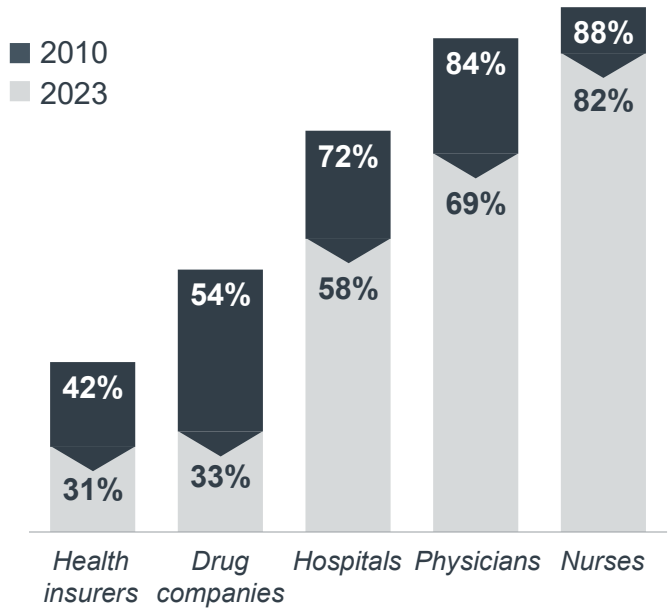
Of Americans say their symptoms are **“ignored, dismissed, or not believed”** when seeking medical treatment, 2022

Source: Sparks G, et al. [Americans' challenges with health care costs](#), KFF. July 11, 2025; [2025 Survey of physician appointment wait times and Medicare and Medicaid acceptance rates](#), AMN Healthcare. Accessed July 14, 2025; [MITRE-Harris poll: Many patients feel ignored or doubted when seeking medical treatment](#), MITRE. December 20, 2022.

Dissatisfaction with patient experience brews distrust

Dissatisfaction spans healthcare sectors

Percentage of respondents rating the medical care and services provided by each group as excellent or good



Growing distrust extends to hospitals and physicians



Consumers increasingly distrust their doctors

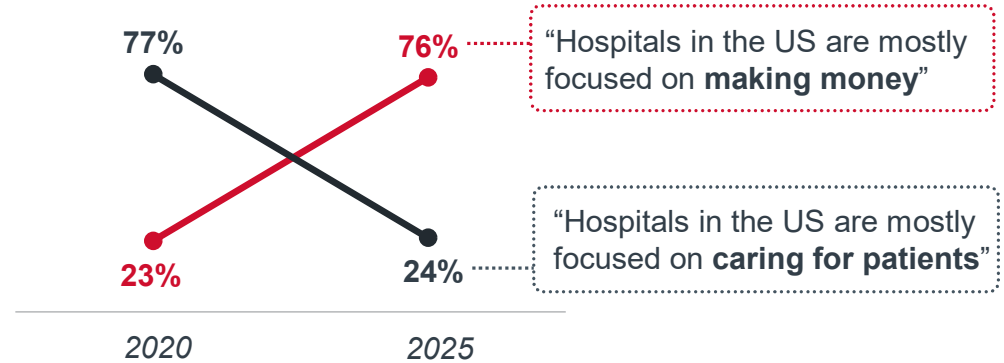
8pt

Increase in share of Americans who do not trust their doctor at all or not much to make the right recommendations when it comes to health issues, from 7% in 2023 to 15% in 2025



Consumers say now hospitals care more about money than care

Percentage of respondents agreeing most with each statement



Sources: [Healthcare system](#). Gallup. Accessed May 23, 2025; Squyres I, et al. [The State of play: Healthcare in 2025](#). Jarrard. Accessed May 23, 2025; Kearney A, et al. [KFF Tracking poll on health information and trust: January 2025](#). KFF. January 28, 2025.

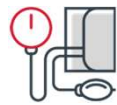
Distrust derails clinical quality

Commonly reported healthcare consequences of higher patient distrust



Reduced adherence to clinical instructions

Less likely to adhere to medications and less likely to enact suggested behavioral changes



Reduced use of preventive medicine

Less likely to engage with preventive medicines including health screenings and vaccines



Increased rate of broken referrals

Less likely to follow referral recommendations



Increased likelihood of violence

More likely to commit violent acts against healthcare workers

Poor clinical interactions affect care patterns

36%
n=525

Of minority patients who have skipped or avoided care because they did not like the way a health care provider or their staff treated them, 2021

When a primary care physician-patient relationship¹ is severed...

4%
Increase in patient mortality

4%
Increase in emergency department visits

3%
Increase in hospital admissions

1. 20% sample of Medicare patients from 2002–2019 encompassing all healthcare encounters paid by Medicare for about 16 million patients.

Sources: Sabety A. [The value of relationships in healthcare](#). Journal of Public Economics. September 2023; Read L, et al. [Rebuilding trust in health care](#). Deloitte. August 2021.

Workforce stability ever more elusive as threats mount

Workforce experience and structural factors challenge healthcare worker supply

Experience challenges



Persistent burnout

49% Of physicians report feelings of burnout
n=9,226

52% Of nurses report feelings of burnout
n=79,022



Violent encounters

82% Of nurses experienced at least one incident of workplace violence, 2023
n=914

Demographic vulnerabilities



Immigration policy stressors

27% Of hospital-based physicians are immigrants

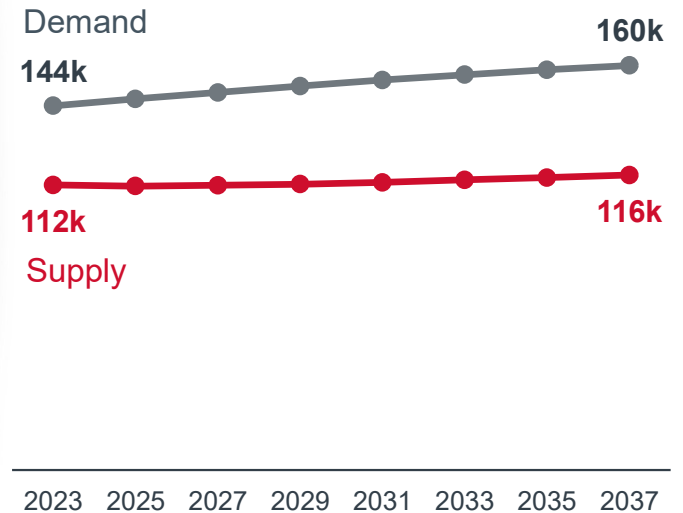
28% Of long-term care workers are immigrants



Looming retirement wave

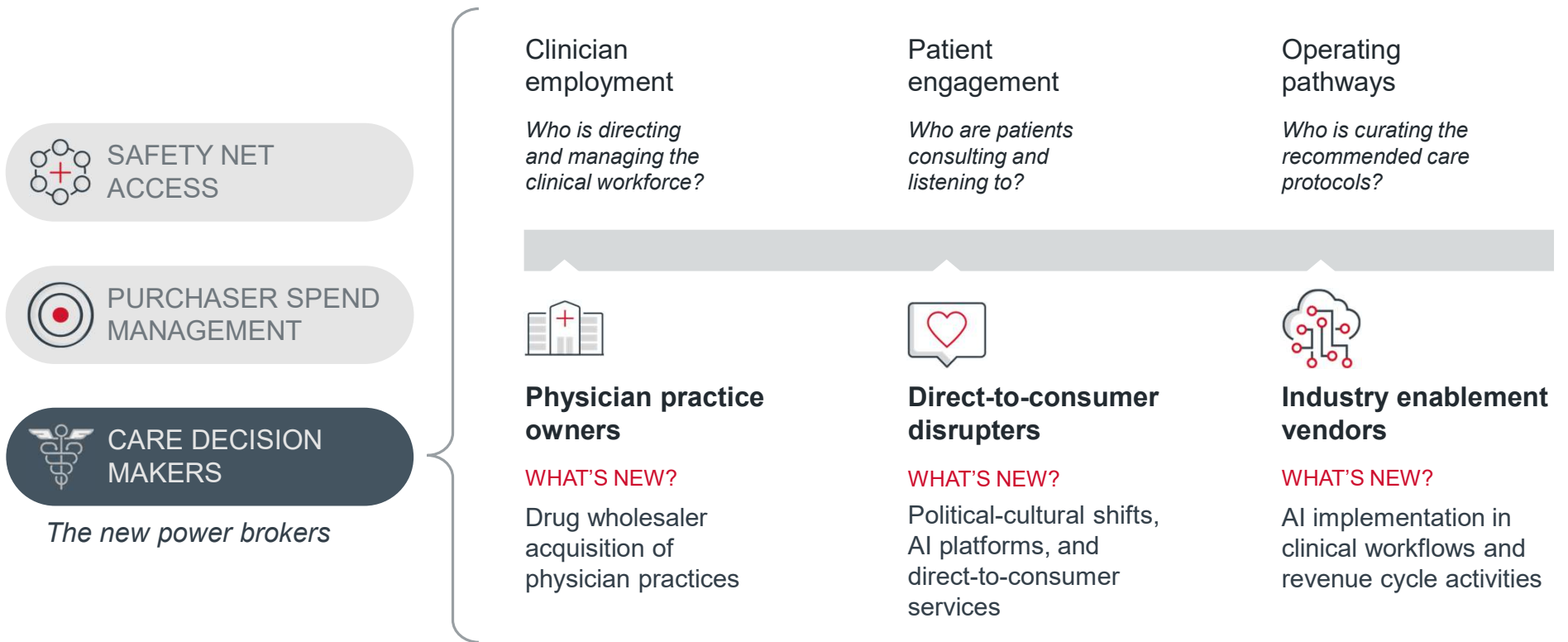
47% Of physicians are age 55 or older

Projected supply and demand of primary care physicians (internal medicine)



Hulver S, et al. [What Role Do Immigrants Play in the Hospital Workforce?](#) KFF. June 17, 2025; [Primary Care in Crisis: New Scorecard Reveals Sector Struggling to Meet Demand, Retain Physicians, and Secure Adequate Funding](#). The Physicians Foundation. February 28, 2024; [The Complexities of Physician Supply and Demand: Projections From 2021 to 2036](#). Association of American Medical Colleges. Accessed August 27, 2025; McKenna J. [Medscape Physician Burnout & Depression Report 2024: "We Have Much Work to Do."](#) Medscape. January 26, 2024; [Workforce Projections](#). National Center for Health Workforce Analysis: Health Resources and Services Administration. Accessed August 27, 2025; ["NNU Workplace Violence Report"](#). National Nurses United. February 2024; Chidambaram P, Pillai D. [What Role Do Immigrants Play in the Direct Long-Term Care Workforce?](#) KFF. April 2, 2025; B. Mackenzie. [Burnout rates by healthcare occupation](#). Becker's Hospital Review. December 2024; [U.S. Physician Workforce Data Dashboard](#). AAMC. Accessed September 25, 2025.

A diffusion of influence over care decision makers



New clinical influencers go direct to consumers

Gathering health information



52% of Americans have tried a health tactic¹ they found on **social media** in the last year, while **34%** tried a tactic from their healthcare provider



25% of adults under 30 say they use **AI chatbots** at least once a month to find health information and advice

Seeking care and treatment



11% of adults who have taken a GLP-1 obtained them from an **online provider or website**



Longevity startup **Function Health**, which offers members lab tests and clinician summaries, was valued at **\$2.5B**



Women turn to TikTok for health information and **OBGYNs are there to meet them**

ABC News



Chatbots routinely answer health queries with **false information that appears authoritative**

CBC News



Direct-to-consumer models run the risk of **pushing drugs on patients** who might not need them

Fierce Pharma



Function Health collaborates with GRAIL to offer **multi-cancer early detection test** nationwide

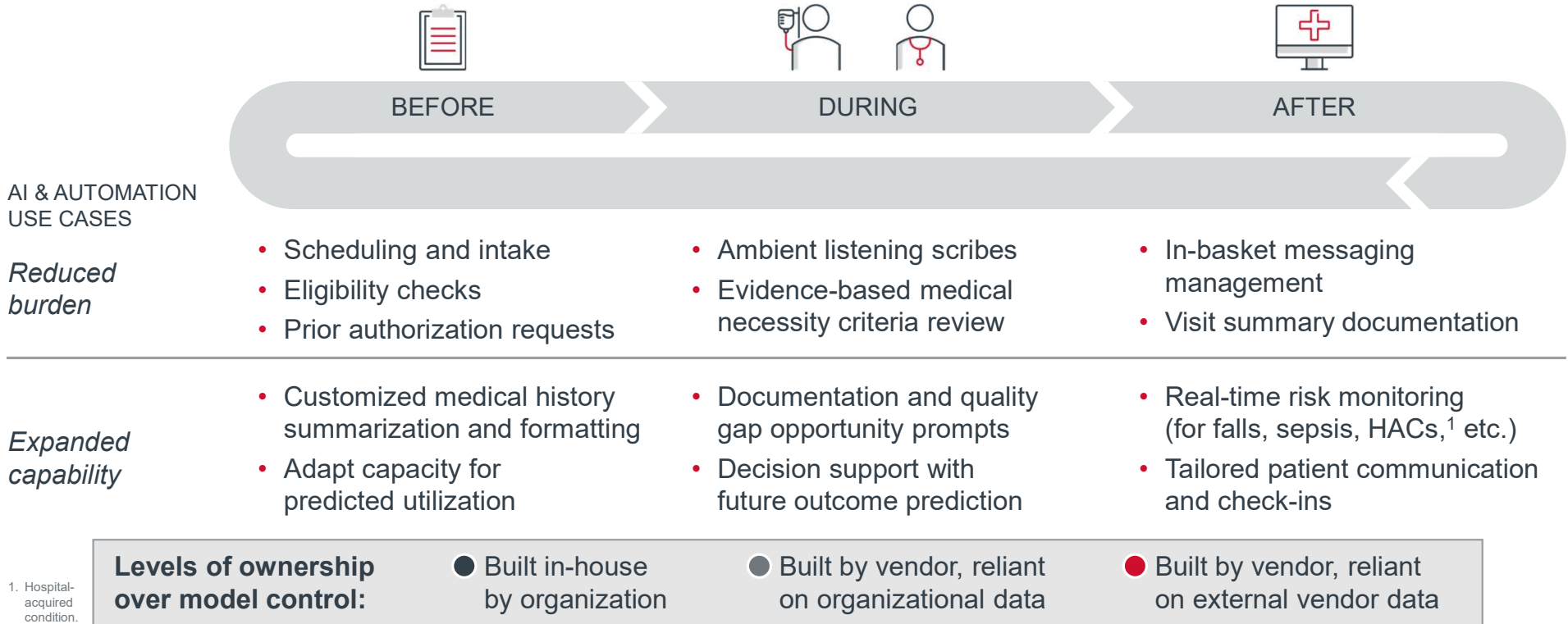
PR Newswire

Sources: [State of consumer health](#), Healthline, October 8, 2024; Kindelan K. [Women turn to TikTok for health information and OBGYNs are there to meet them](#), ABC News, February 13, 2020; Presiado M, et al. [KFF health misinformation tracking poll: Artificial intelligence and health information](#), KFF, August 15, 2024; Zafar A. [Talk to medical professionals, not just ChatGPT, urge Ontario doctors](#), CBC News, July 12, 2025; Montero A, et al. [KFF Health Tracking Poll May 2024: The Public's Use and Views of GLP-1 Drugs](#), KFF, May 10, 2024; Goldman M. [More pharma giants embrace direct-to-consumer sales](#), Axios, August 4, 2025; Bradbury R. [Redpoint-led round values longevity startup Function Health at \\$2.5B](#), PitchBook, February 19, 2025; Function Health collaborates with GRAIL to offer multi-cancer early detection test nationwide, *PR Newswire*, December 4, 2024.

1. Health and wellness tool, resource, trend, or product.

The technological transformation of the clinical journey

AI and automation implementation across the journey of patient-clinician interactions



Can the industry escape an AI billing ‘arms race’?

Payer and provider approaches to reimbursement



Payers seek AI-enabled payment integrity solutions to manage utilization and reduce costs

“Payment integrity is an area where we shouldn’t hold back. We’re seeing an uptick in provider rev cycle activity.”

Health plan strategy leader

Emerging mutual improvements

- Improve documentation accuracy
- Circumvent eligibility-based denials
- Reduce administrative costs



Competing escalation today...

Emerging RCM & PI activities

- CPT severity code increases
- Auto appeals and denials
- Lengthening medical record



...toward a shared equilibrium in the future?



Providers seek AI-enabled revenue cycle solutions to avoid denials and optimize revenue

“We have to start using our own tools to keep up, if payers are going to keep using AI.”

Hospital revenue cycle leader

Potential capability transformation

- Consolidated patient billing
- Real-time claims adjudication
- Contracting for clinical appropriateness

Source: Advisory Board interviews.

CMS invites tech sector to run ‘WISeR’ prior auth

Components of new CMMI Wasteful and Inappropriate Service Reduction (WISeR) Model

VOLUNTARY PARTICIPANTS



Technology vendors with demonstrated experience using AI and automation tools to manage prior auth processes for payers

“WISeR is the first Innovation Center model in which **technology innovators** will be the only model participants.”
CMMI, 2025

SCOPE OF EFFECT



Providers and suppliers for Traditional Medicare



Operating in Arizona, New Jersey, Ohio, Oklahoma, Texas, or Washington



Selected services that are vulnerable to fraud, waste and abuse, including:

- Skin and tissue substitutes
- Electrical nerve stimulator implants
- Knee arthroscopy

DESIGN



Providers will either submit a prior auth request for selected services or go through retrospective review



Vendors will apply their technology to assess coverage determinations



Vendors receive a percentage of the savings associated with averted wasteful, inappropriate care

PAYMENT ADJUSTMENT

Based on participant performance across:

Process:

- Number of non-affirmations and favorable appeals
- Volume of requests processed

Experience:




- Timeliness of response
- Clarity of explanation of request determination

Clinical quality outcomes:

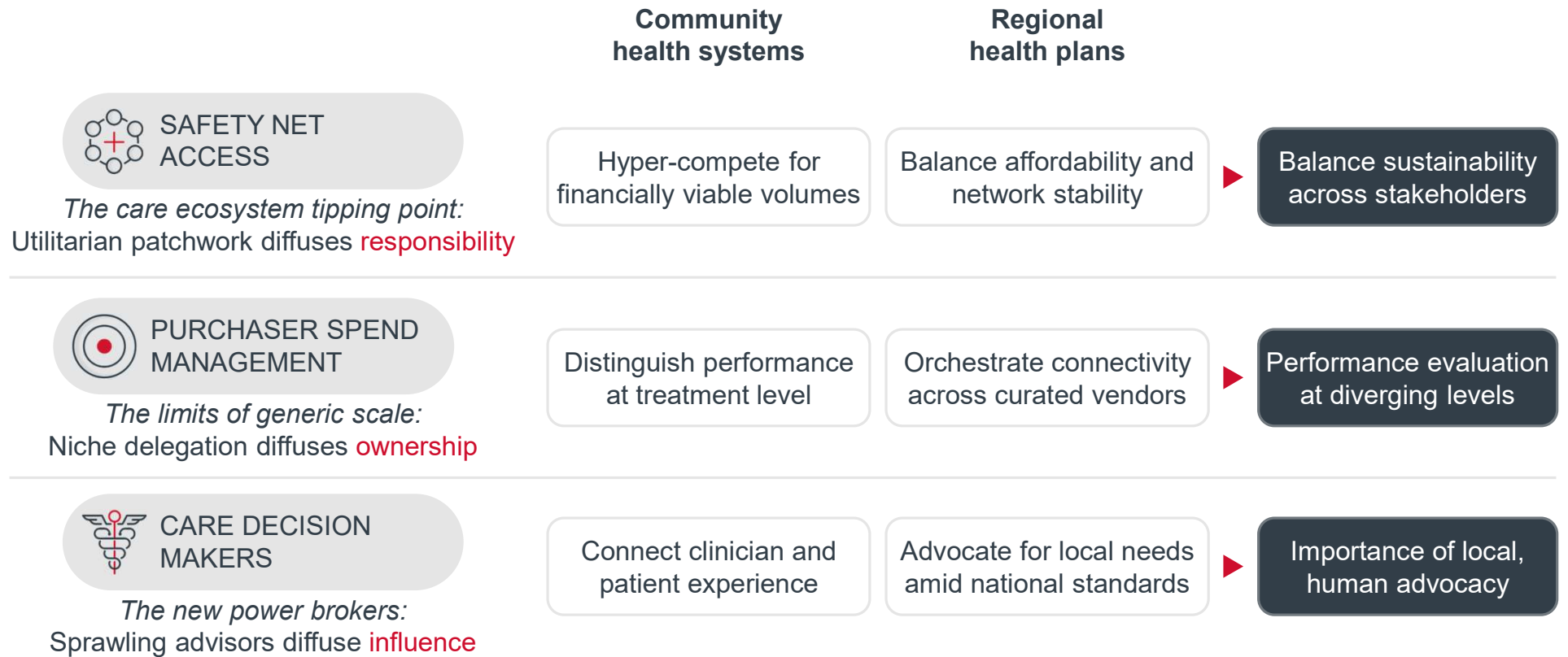
- Use of alternative services
- Evidence of ongoing urgent need to address issue

Source: WISeR (Wasteful and Inappropriate Service Reduction) Model. CMS. June 27, 2025; Davis J. et al. Three key takeaways from the CMS Innovation Center's new WISeR Model. McDermott+. July 10, 2025.

Implications for regional organizations

	Community health systems	SHARED TENSIONS AND CHALLENGES	Regional health plans
 <p>SAFETY NET ACCESS</p>	Hyper-compete for financially viable volumes		Balance affordability and network stability
 <p>PURCHASER SPEND MANAGEMENT</p>	Distinguish performance at treatment level		Orchestrate connectivity across curated vendors
 <p>CARE DECISION MAKERS</p> <p><i>The new power brokers: Sprawling advisors diffuse influence</i></p>	<p>Connect clinician and patient experience</p> <ul style="list-style-type: none"> • More competition for patient share of wallet • Greater burnout from admin tasks and difficult patient management • Increased ED use 	<ul style="list-style-type: none"> • Diminished physician alignment impact • Agnostic national vendor standards • Care pattern shifts 	<p>Advocate for local needs amid national standards</p> <ul style="list-style-type: none"> • Limited direction over care choices • Poor clinical outcomes • Clinical documentation and billing escalation

Implications for regional organizations



Let us know how we did

- Aim your camera app at the QR code and tap the browser link in your camera window
- This is your one and only opportunity to complete the evaluation. Please let the facilitator know if you are having difficulty accessing the evaluation.





LEGAL CAVEAT

Advisory Board has made efforts to verify the accuracy of the information it provides to members. This report relies on data obtained from many sources, however, and Advisory Board cannot guarantee the accuracy of the information provided or any analysis based thereon. In addition, Advisory Board is not in the business of giving legal, medical, accounting, or other professional advice, and its reports should not be construed as professional advice. In particular, members should not rely on any legal commentary in this report as a basis for action, or assume that any tactics described herein would be permitted by applicable law or appropriate for a given member's situation. Members are advised to consult with appropriate professionals concerning legal, medical, tax, or accounting issues, before implementing any of these tactics. Neither Advisory Board nor its officers, directors, trustees, employees, and agents shall be liable for any claims, liabilities, or expenses relating to (a) any errors or omissions in this report, whether caused by Advisory Board or any of its employees or agents, or sources or other third parties, (b) any recommendation or graded ranking by Advisory Board, or (c) failure of member and its employees and agents to abide by the terms set forth herein.

Advisory Board and the "A" logo are registered trademarks of The Advisory Board Company in the United States and other countries. Members are not permitted to use these trademarks, or any other trademark, product name, service name, trade name, and logo of Advisory Board without prior written consent of Advisory Board. All other trademarks, product names, service names, trade names, and logos used within these pages are the property of their respective holders. Use of other company trademarks, product names, service names, trade names, and logos or images of the same does not necessarily constitute (a) an endorsement by such company of Advisory Board and its products and services, or (b) an endorsement of the company or its products or services by Advisory Board. Advisory Board is not affiliated with any such company.

IMPORTANT: Please read the following.

Advisory Board has prepared this report for the exclusive use of its members. Each member acknowledges and agrees that this report and the information contained herein (collectively, the "Report") are confidential and proprietary to Advisory Board. By accepting delivery of this Report, each member agrees to abide by the terms as stated herein, including the following:

1. Advisory Board owns all right, title, and interest in and to this Report. Except as stated herein, no right, license, permission, or interest of any kind in this Report is intended to be given, transferred to, or acquired by a member. Each member is authorized to use this Report only to the extent expressly authorized herein.
2. Each member shall not sell, license, republish, or post online or otherwise this Report, in part or in whole. Each member shall not disseminate or permit the use of, and shall take reasonable precautions to prevent such dissemination or use of, this Report by (a) any of its employees and agents (except as stated below), or (b) any third party.
3. Each member may make this Report available solely to those of its employees and agents who (a) are registered for the workshop or membership program of which this Report is a part, (b) require access to this Report in order to learn from the information described herein, and (c) agree not to disclose this Report to other employees or agents or any third party. Each member shall use, and shall ensure that its employees and agents use, this Report for its internal use only. Each member may make a limited number of copies, solely as adequate for use by its employees and agents in accordance with the terms herein.
4. Each member shall not remove from this Report any confidential markings, copyright notices, and/or other similar indicia herein.
5. Each member is responsible for any breach of its obligations as stated herein by any of its employees or agents.
6. If a member is unwilling to abide by any of the foregoing obligations, then such member shall promptly return this Report and all copies thereof to Advisory Board.



Advisory
Board