



The State of the Industry in 2026

Navigating uncertainty as
industry assumptions unravel

Lone Star HFMA
Winter Conference - DFW
February 2026

The long-standing assumptions we're already letting go



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



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



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



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

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.

1. Category 3 and 4 payments from HCP-LAN framework.

Unraveling assumptions about care delivery

Foundational assumption

Emerging dynamic



**SAFETY NET
ACCESS**

The care ecosystem tipping point

Baseline subsidy

Public funding enables a viable community access baseline



Utilitarian patchwork

Access hinges on private support driven by business relevance



**PURCHASER SPEND
MANAGEMENT**

The limits of generic scale

Generalist gatekeeping

Uniform cost and quality standards drive network performance



Niche delegation

Specific treatments and conditions require unique expert stewards



**CARE DECISION
MAKERS**

The new power brokers

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

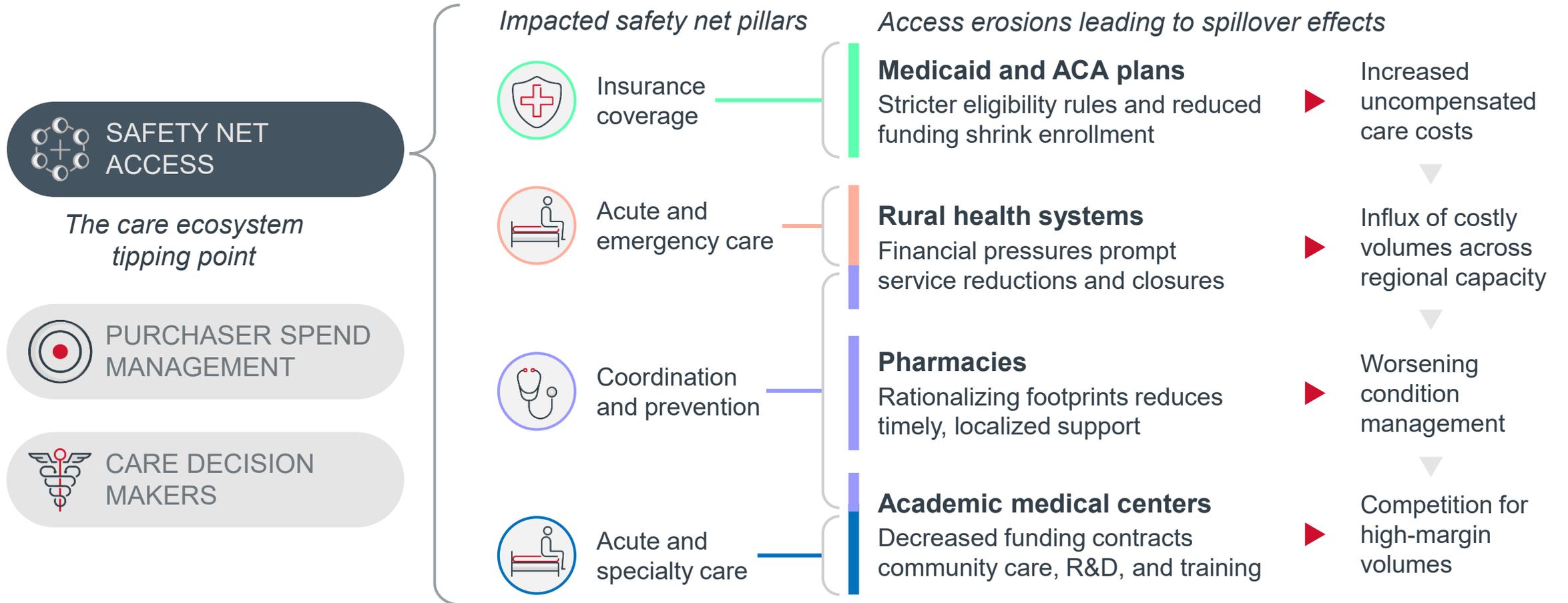
Utilitarian patchwork

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

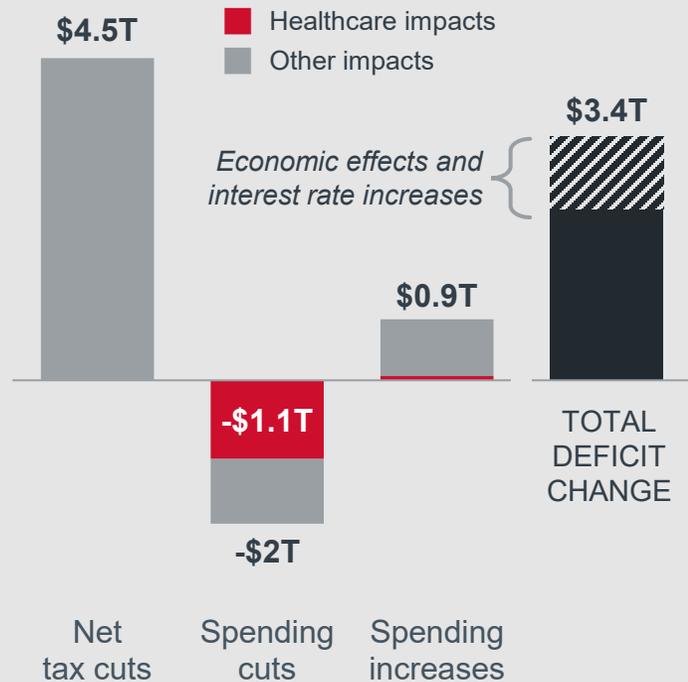
Shrinking safety net makes the consequences of access reductions into a problem for everyone



OBBBA rolls back the safety net

OBBBA¹ deficit impacts²

July 21 CBO estimates



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*

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

\$1.1T July 21 estimate

Estimated spending cuts to Medicaid and Marketplace

\$374B direct reimbursement reduction³

1. One Big Beautiful Bill Act.

2. Projected 10-year (2025-2034) impacts.

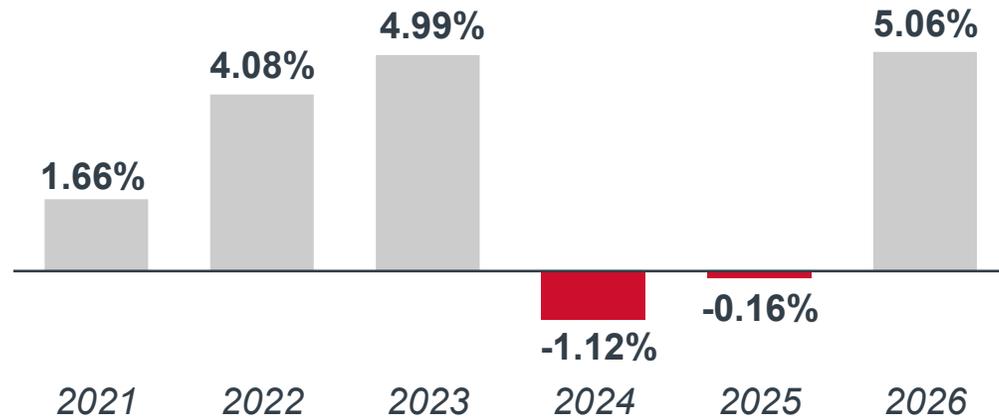
3. Estimated impacts of Medicaid state financing restrictions provisions (state-directed payments, MCO taxes, and provider taxes).

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.

MA policy headwinds persist, with some relief in 2026

Annual Medicare Advantage overall payment rates

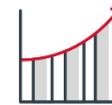
Expected average change in plan revenue in annual CMS rate announcement (after accounting for risk coding trend)



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

1. Risk Adjustment Data Validation.
2. A court ruling has paused the implementation of the extrapolation rule on procedural grounds.
3. Healthcare Effectiveness Data and Information Set.
4. Health Outcomes Survey.
5. 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 extrapolation² 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 \$2,100, 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 HEDIS³ and HOS⁴ with decreased emphasis on CAHPS⁵

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, Humana, and UnitedHealthcare¹ all exited MA counties in 2025, while some insurers exited the MA market completely



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

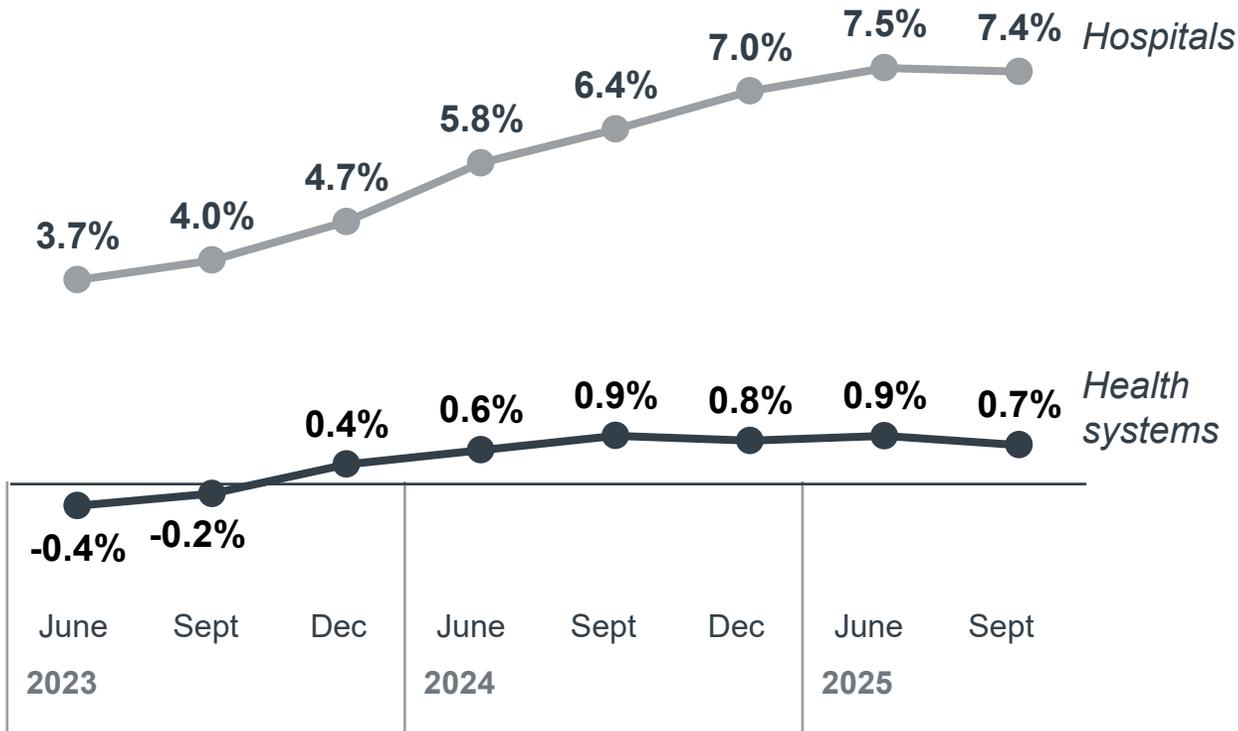
1. Advisory Board is a subsidiary of UnitedHealth Group, the parent company of UnitedHealthcare. All Advisory Board research, expert perspectives, and recommendations remain independent.

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-Sept. 2025



- **0.5%** Year-over-year median growth in median health system margin
SEPT 2025
- **40%** Of health systems are operating in the red
SEPT 2025
- **4.5:1** Ratio of S&P credit downgrades to upgrades, not-for-profit hospitals
JANUARY 2025

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

Medicaid cuts compound rural hospital pressures

Rural hospitals have slim operating margins

1% Median rural hospital **operating margin**, compared to 7.5% median operating margin across all hospitals¹

Factors contributing to low margins

- ✗ Few economies of scale
- ✗ Minimal contracting leverage
- ✗ Small recruiting pools

Medicaid funding cuts add to existing revenue challenges

Commercial

33% **Decline** in working age (15-64) population in rural areas²

Medicare

4x **Growth** in rural Medicare Advantage enrollment²

Medicaid

\$137B **Reduction** in federal Medicaid spending in rural areas

Compounding pressures put hospitals at risk of closure



14%

Of rural hospitals are at **immediate risk of closure**

Rural Health Transformation Fund of \$50 billion to be allocated to states over five years³

1. 12-month average May 2025.

2. 2010-2023.

3. \$25 billion of the funds will be distributed to states equally, while the discretionary half of the funds is tied to the embrace of Trump Admin policy initiatives.

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; Ollstein A. Readwer R. [Trump admin doles out billions for rural health](#). Politico. Dec 2025

Pharmacy closures threaten shrinking frontline access

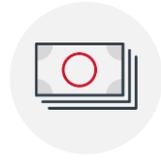
Retail pharmacy¹ pressures drive closures and consolidation, putting rural communities at greatest risk

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

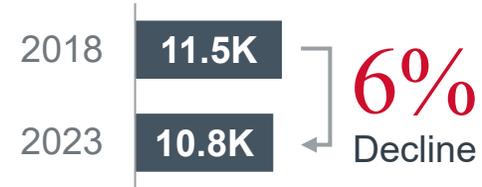
CVS

- 1170 stores closed 2022-2025
- Approximately 10% reduction in total locations across the U.S.

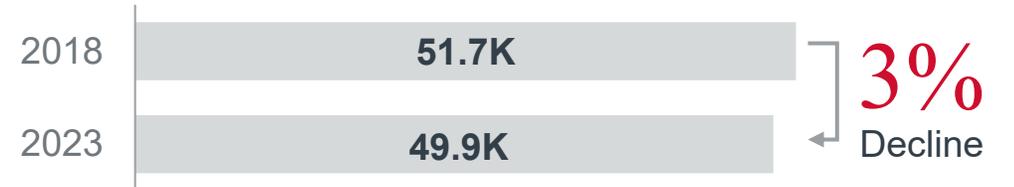
Walgreens

- 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

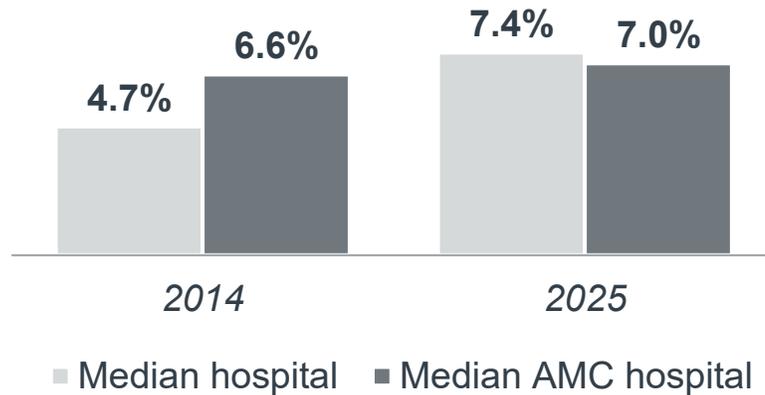
1. Retail pharmacies include chain and independent pharmacies.
2. Pharmacy benefit manager.

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. Del Rey M. Rite Aid announces closure of all locations following bankruptcy. USA Today. October 3, 2025.

AMC business model stands on shaky foundations

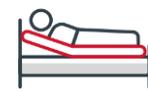
AMC margins fall below national hospital margins as pressures mount

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 OPPTS¹ phases 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; [Calendar Year 2026 Hospital Outpatient Prospective Payment System \(OPPS\) and Ambulatory Surgical Center Final Rule \(CMS-1834-FC\)](#). CMS. November 21, 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.

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

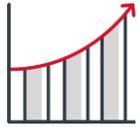
Niche delegation

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



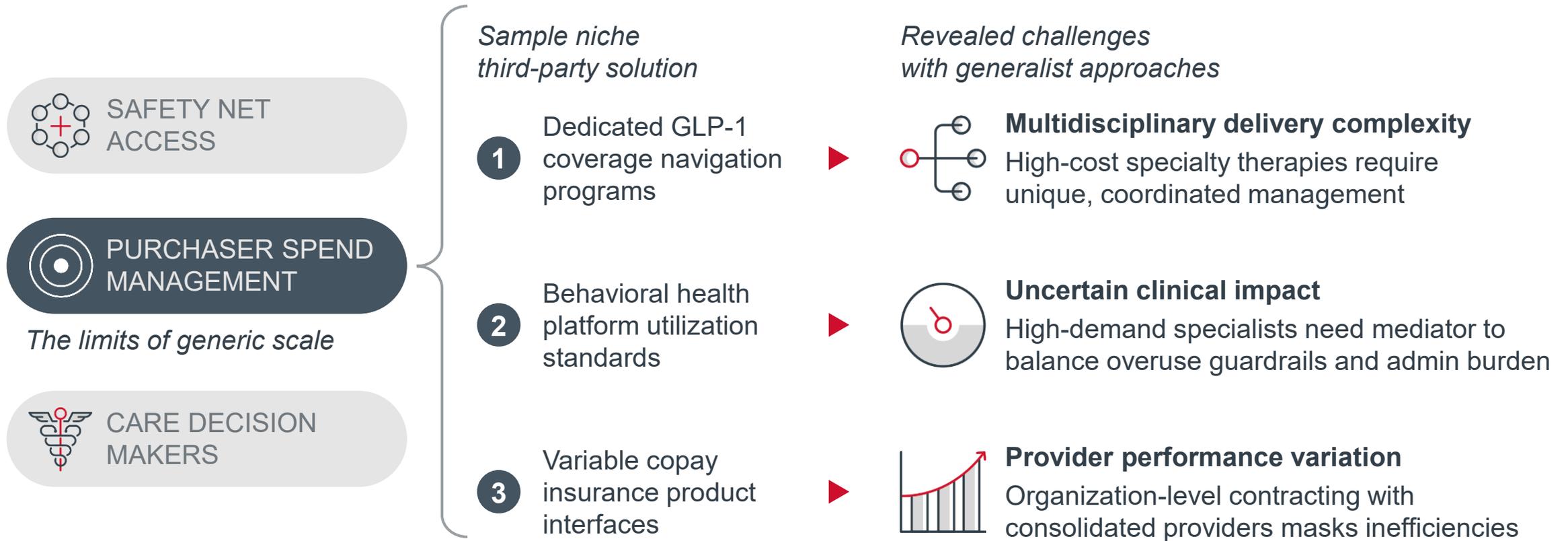
Public scrutiny on utilization management tactics

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.

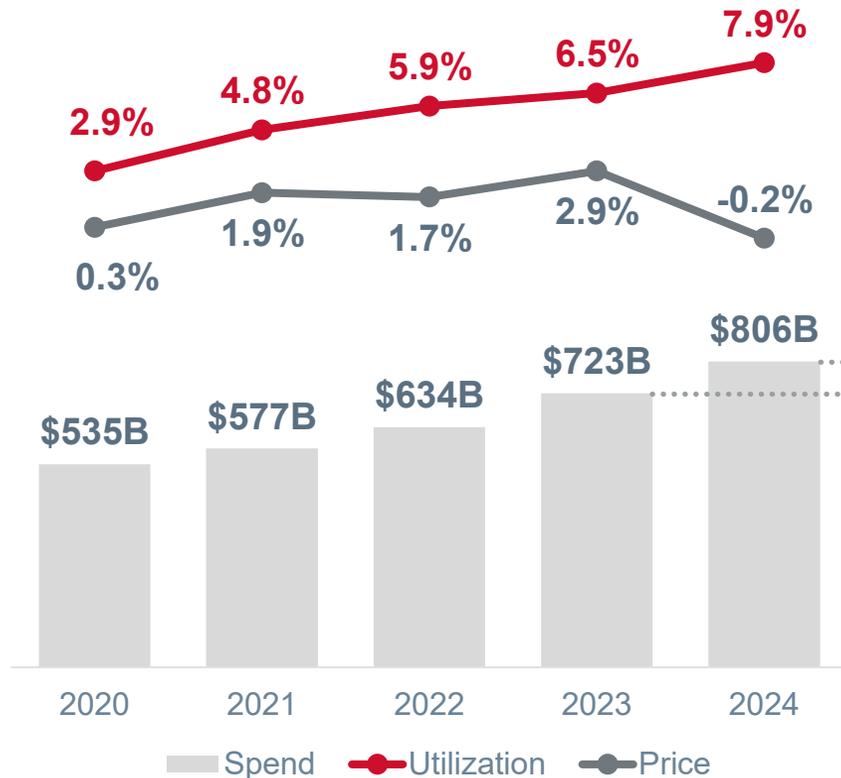
A diffusion of ownership over spend management

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.

Behavioral health use grows, as do concerns about value

Payers use telehealth to broaden BH¹ access

10x

Growth in mental health² telehealth visits, 2019-2022

48%

Growth in in-network behavioral health providers, 2019-2023

70K

Number of providers working for **Better Help, Talkspace, and Headway** telehealth platforms, 2024

1. Behavioral Health.

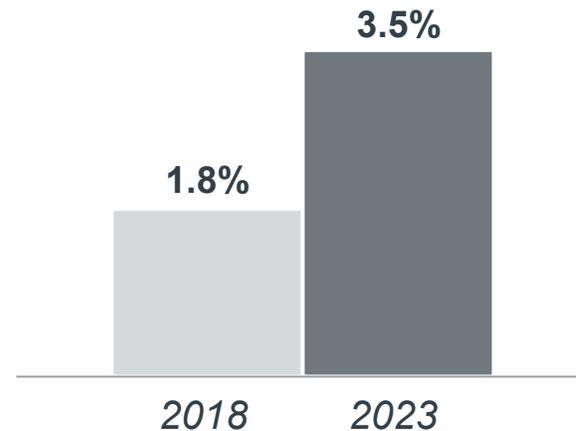
2. Includes ICD diagnostic codes for anxiety disorders, major depressive disorder, bipolar disorder, schizophrenia, and posttraumatic stress disorder

3. Per member per year

4. Employer sponsored insurance.

Increased access spikes utilization

Behavioral health claims as a percentage of total commercial claims



39% Increase in **mental health² utilization** from 2019 to 2022

Utilization drives increased plan spend, questions about quality

\$680

Increase in average PMPY³ therapy spend on ESI⁴ members, 2018-2022



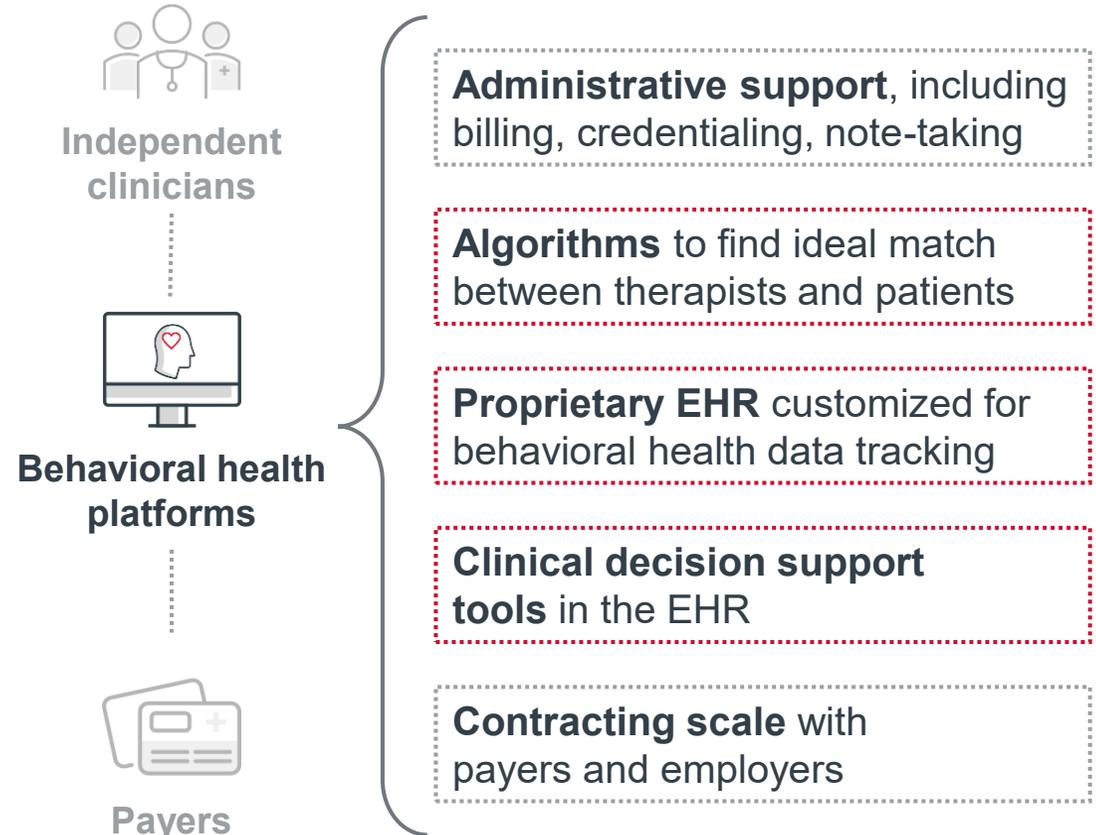
“Today [behavioral health] access is less of a priority...now attention has turned towards all the types of care that are going on, **asking is it all good care?** Are people getting what they need?”

National medical director
BEHAVIORAL HEALTH SOLUTIONS FIRM

Source: Cantor JH, et al. [Telehealth and In-Person Mental Health Service Utilization and Spending, 2019 to 2022](#). JAMA. Aug 2023; [Employer-Provided Coverage Provides Broad Access to Mental Health Support Networks](#). AHIP. August 2022; [About Us - The Largest Online Therapy Provider](#). Betterhelp.com. Accessed Aug 2025; [Medical cost trend: Behind the numbers: PwC](#). PWC. July 2025. Gordon BS, et al. [HCCI Mental Health Brief 2/2025](#). Health Care Cost Institute. Feb 2025; [Headway's 2023 Company Report](#). Headway. Dec 2023; [Explore Online Counseling & Therapy Jobs](#). Talkspace. Accessed Aug 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)

Measurement-based behavioral healthcare practice is made up of three components:



Encourages **appropriate utilization**, improves **patient outcomes**, and **lowers cost**

1.9x

ROI in medical cost savings for employers using Spring Health, an MBC behavioral health platform

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

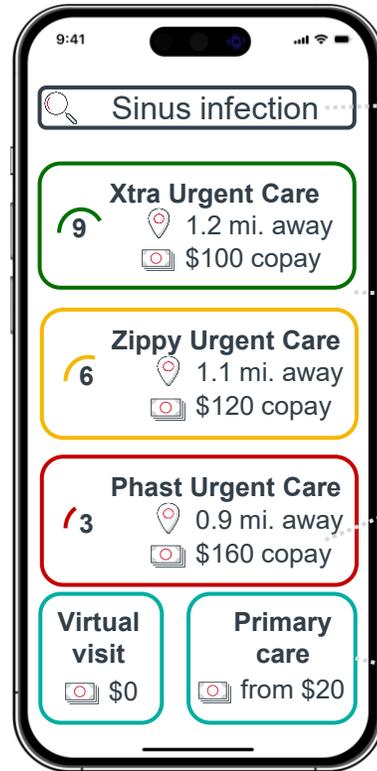


Provider scores based on quality and cost at the location and/or service level

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



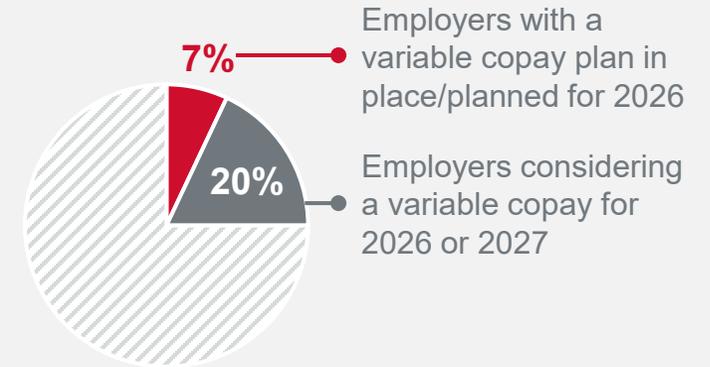
Members search for a **specific service or condition**

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

Source: See additional sources slide.

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.

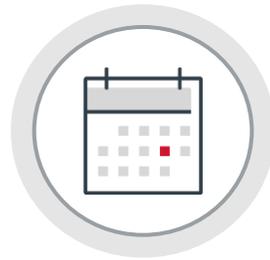
A look at the patient experience – from their view

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 days

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



52%

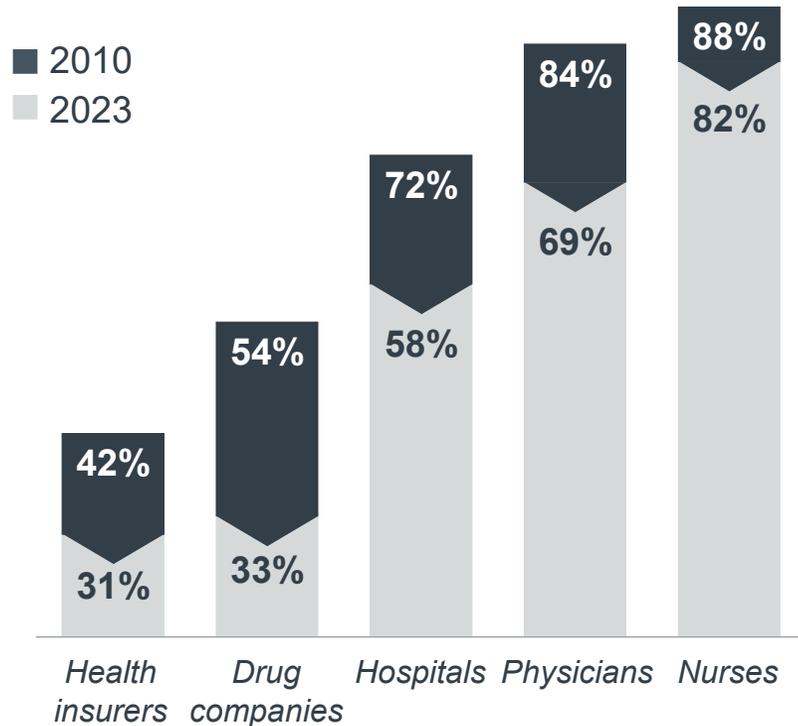
Of Americans say their symptoms are “**ignored, dismissed, or not believed**” when seeking medical treatment, 2022

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

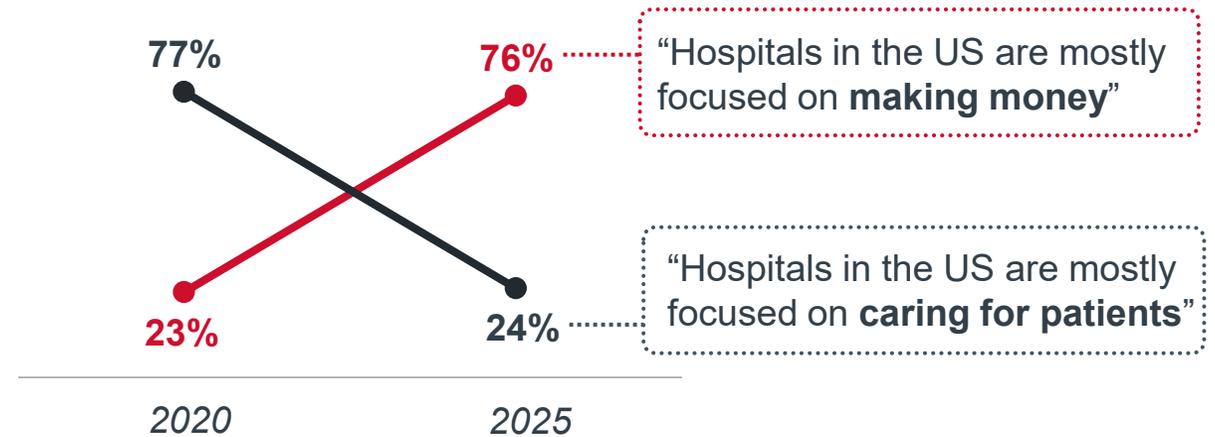
8pt

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; Sqyres 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.

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

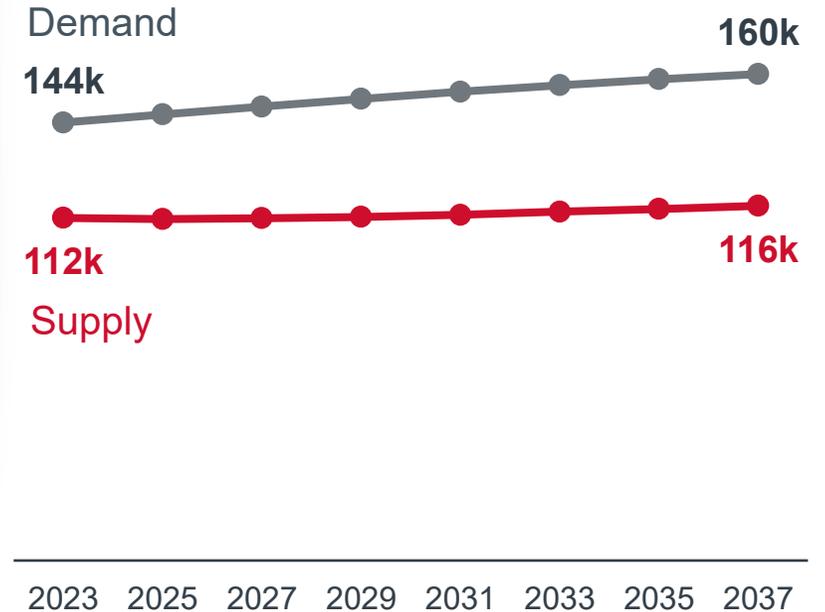
28% Of long-term care workers are immigrants



Looming retirement wave

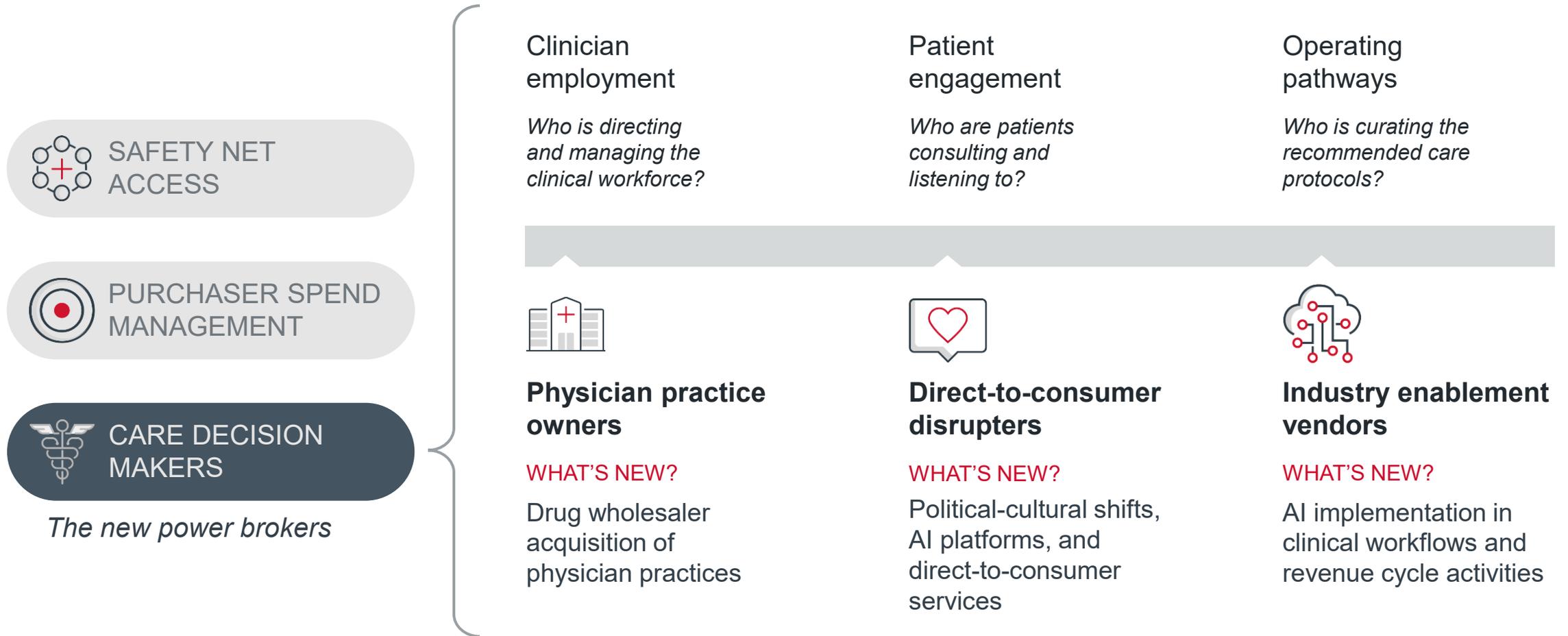
47% Of physicians are age 55 or older

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



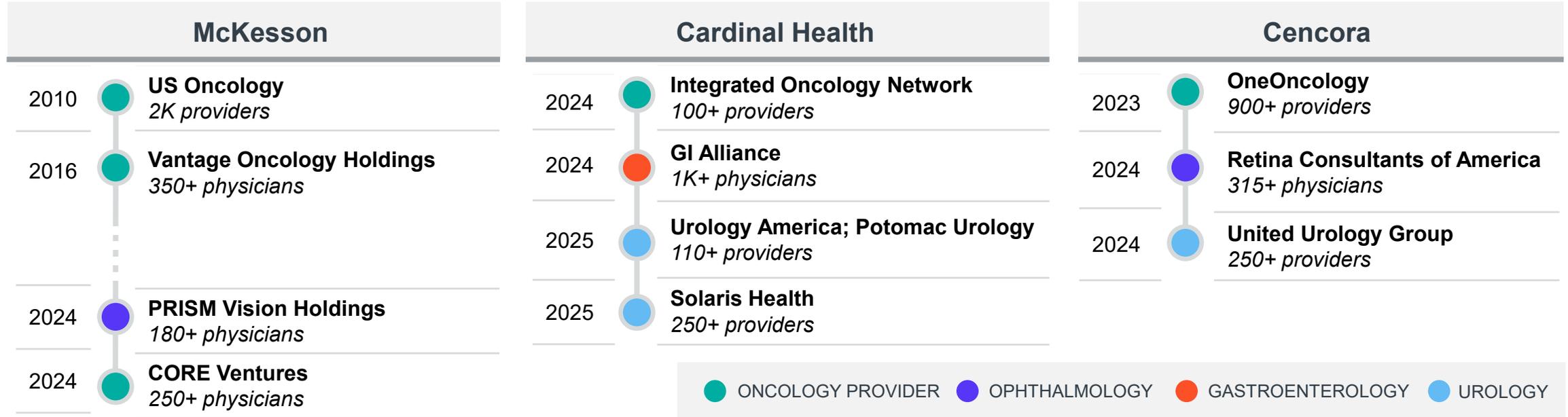
Hulver S, et al. [What Role Do Immigrants Play in the Hospital Workforce?](#) KFF. June 17, 2025; [Primary Care in Crisis: New Scorecard Reveals Sector Struggling to Meet Demand, Retain Physicians, and Secure Adequate Funding.](#) The Physicians Foundation. February 28, 2024; [The Complexities of Physician 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



Wholesalers move upstream into care delivery

Major medical group acquisitions by drug wholesalers



Potential benefits for wholesalers

Creates more control across care continuum from drug distribution to patient care

Secures downstream demand in complex specialties with high reimbursement

Potential implications for physicians

Increased infrastructure, technology, and administrative support for providers

More influence on physician clinical decision-making and treatment options

See additional sources slide.

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



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

ABC News



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



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

CBC News

Seeking care and treatment



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



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

Fierce Pharma



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



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

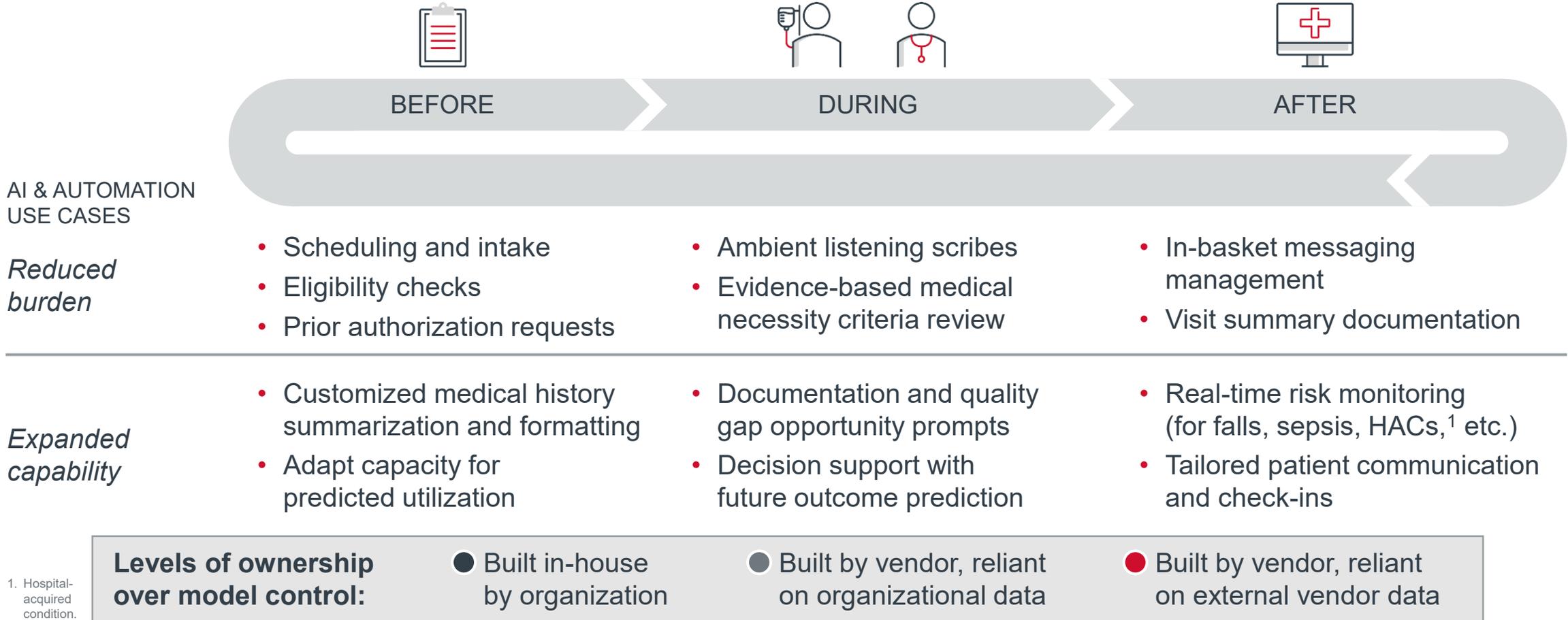
PR Newswire

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



1. Hospital-acquired condition.

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

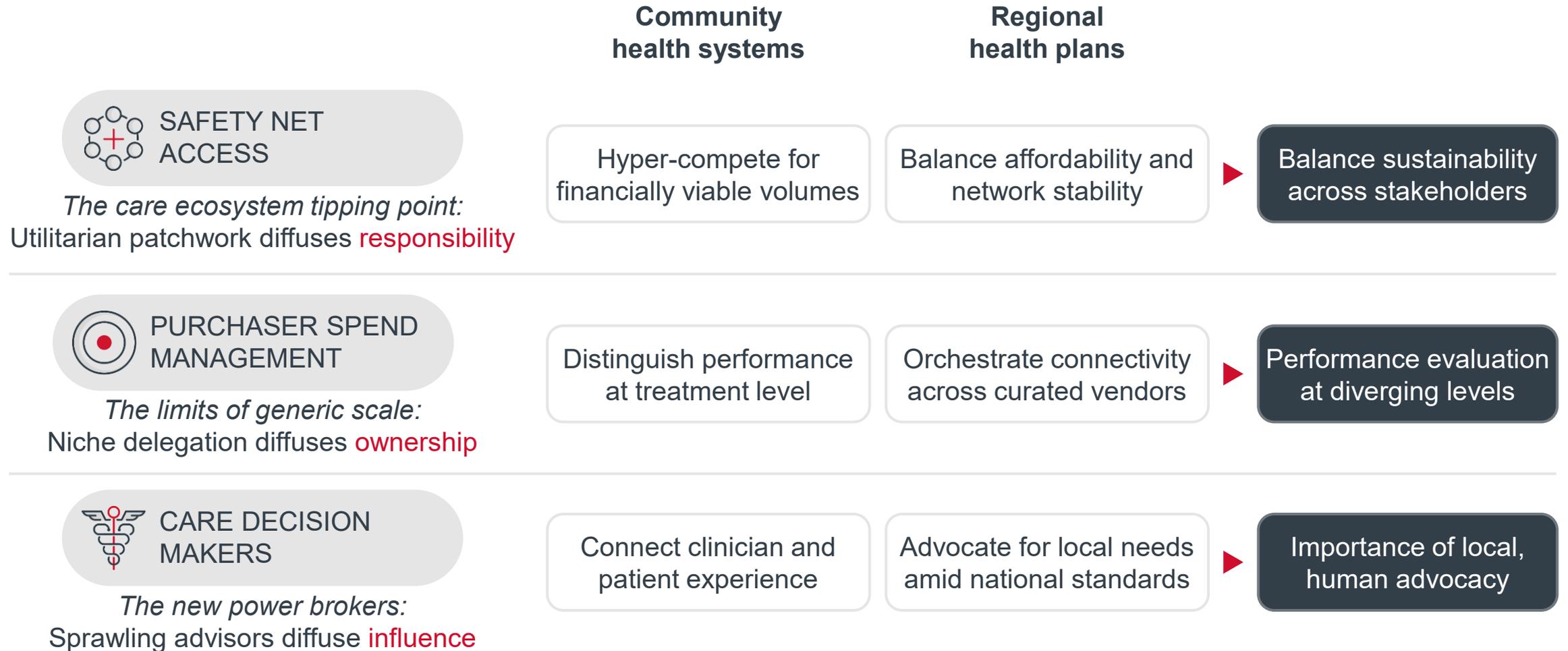
- Consolidated patient billing
- Real-time claims adjudication
- Contracting for clinical appropriateness

Source: Advisory Board interviews.

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



Please evaluate today's presentation

1. Aim your camera app at the QR code. Do not take a picture of the code. When the code is recognized you will see a web browser prompt appear at the top of the screen; tap this prompt and the evaluation will open in your web browser.
2. If you using an Android device, your camera may not recognize the QR code. Use the QR code reader app that you downloaded at the beginning of the workshop to access the evaluation.
3. Please let the facilitator know if you are unable to use the above QR code





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