Advisory Board

The State of the Industry in 2026

Unraveling assumptions about the control of care delivery

Actually, it wasn’t the end of history…

2026 State of the Industry

Unraveling assumptions about the control of care delivery

PRESENTATION AT A GLANCE

I **Safety net access** hurdles 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 healthcare business as we've known it:

Fragmented

+

Incremental

=

Agency

The fundamental ecosystem structure is hindering our ability to meet population needs

---

Transformation to the structure requires a careful balance of current and future incentives

---

Industry incumbents have a strong voice in shaping the speed, scope, and direction of change

The long-standing assumptions we already let 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 pushes 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

11.6pt

Increase in share of partial or full value-based payments[1] away from FFS payments, 2018-2023

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

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:

Rising Expectations

+

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 have poor results to show

---

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

The new potential unraveling

	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 overseers
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

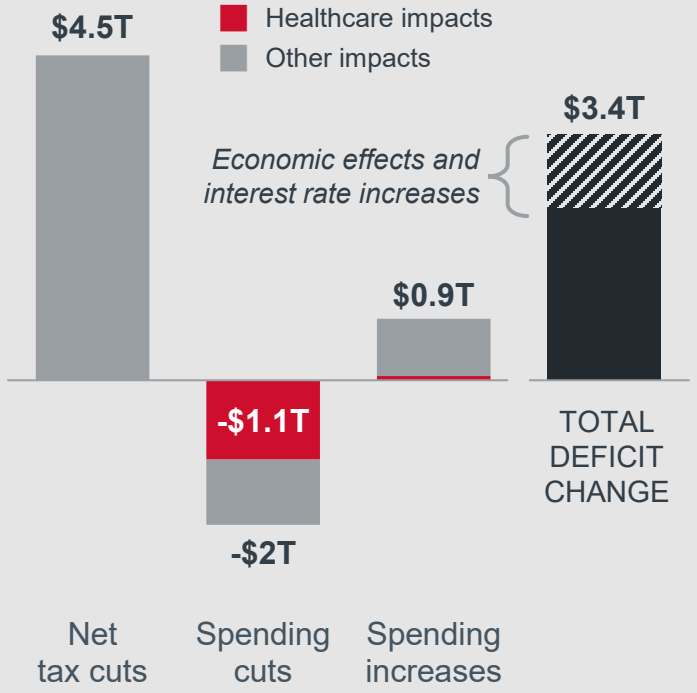
Access hinges on private support driven by business relevance

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**.

OBBBA rolls back the safety net

OBBBA[1] deficit impacts[2]

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 impacts[2]

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 reduction[3].

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.

Medicaid cuts will drop coverage and strain providers

Major Medicaid provisions in OBBBA[1]

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% Medicare rates[2]
  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…

End of enhanced subsidies

- Enhanced subsidies expired end of 2025
- Marketplace enrollment doubled from **11.4M** to **24.3M** with enhanced subsidies

OBBBA[1] and Marketplace integrity final rule[2]

- Pauses SEP[3] for low-income individuals
- DACA recipients lose eligibility
- Stricter income verification
- Pre-enrollment SEP verification

…and will lead to increased premiums and costs

21.7% Average increase in marketplace benchmark premiums[4] from 2025 to 2026 compared to an average 2.0% increase from 2020 to 2025

114% Average increase in monthly payments for enrollees who received a premium tax credit before their expiration in 2025

6.7M Projected additional uninsured individuals due to Marketplace subsidy expiration and Marketplace changes from OBBBA, by 2035[4]

"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

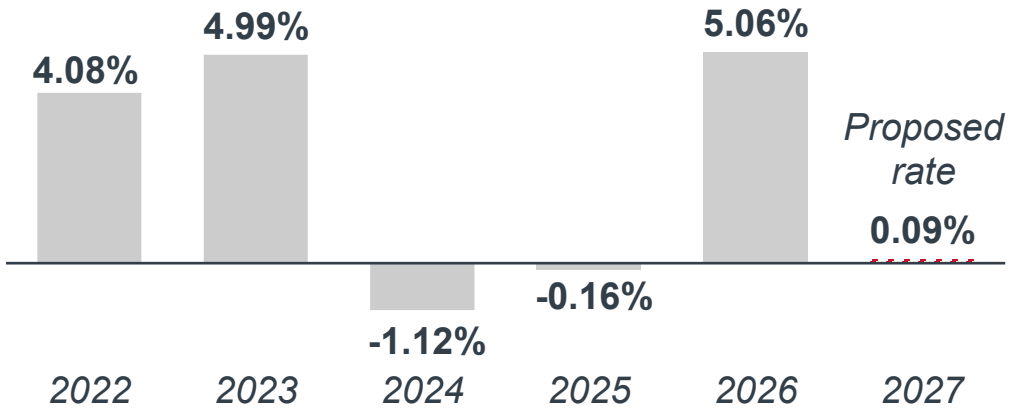
Sources: The Estimated Effects of Enacting Selected Health Coverage Policies on the Federal Budget and on the Number of People With Health Insurance . CBO. September 18, 2025. Distributional Effects of Public Law 119-21. CBO. August 11, 2025; Letter to Chairman Arrington and Chairman Smith Concerning 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; Holahan, et al. Understanding the extraordinary increase in ACA premiums in 2026. Urban Institute. December 18, 2025; Cox C. ACA insurers are raising premiums by an estimated 26%, but most enrollees could see sharper increases in what they pay. KFF. October 28, 2025.

1. One Big Beautiful Bill Act.
2. Legal action pending.
3. Special enrollment period.
4. The second-lowest-cost silver plans.
5. Excludes final rule changes under litigation.

CMS seeks to calibrate MA payments to value creation

Annual Medicare Advantage overall payment rates

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



> "The proposed rate simply does not match the level of medical cost trend in the industry."
>
> *National health plan CEO*

Major recent policy changes

Risk adjustment

- Complete phase-in of new V28 risk adjustment model
- Retroactive RADV[1] audits for payment years 2018–2024 and annual RADV audits began in 2025

RADV extrapolation[2] 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 HEDIS[3] and HOS[4] with decreased emphasis on administrative measures

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.

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; Minemyer P. "CVS Health CEO Joyner says 'disappointing' 2027 MA rate notice fails to match utilization trends". Fierce Healthcare. Feb 2026.

MA plans focused on sustainable margins over growth

Medicare Advantage plans seek to better manage costs

Plan exits
Humana, CVS, UHC, and Centene 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

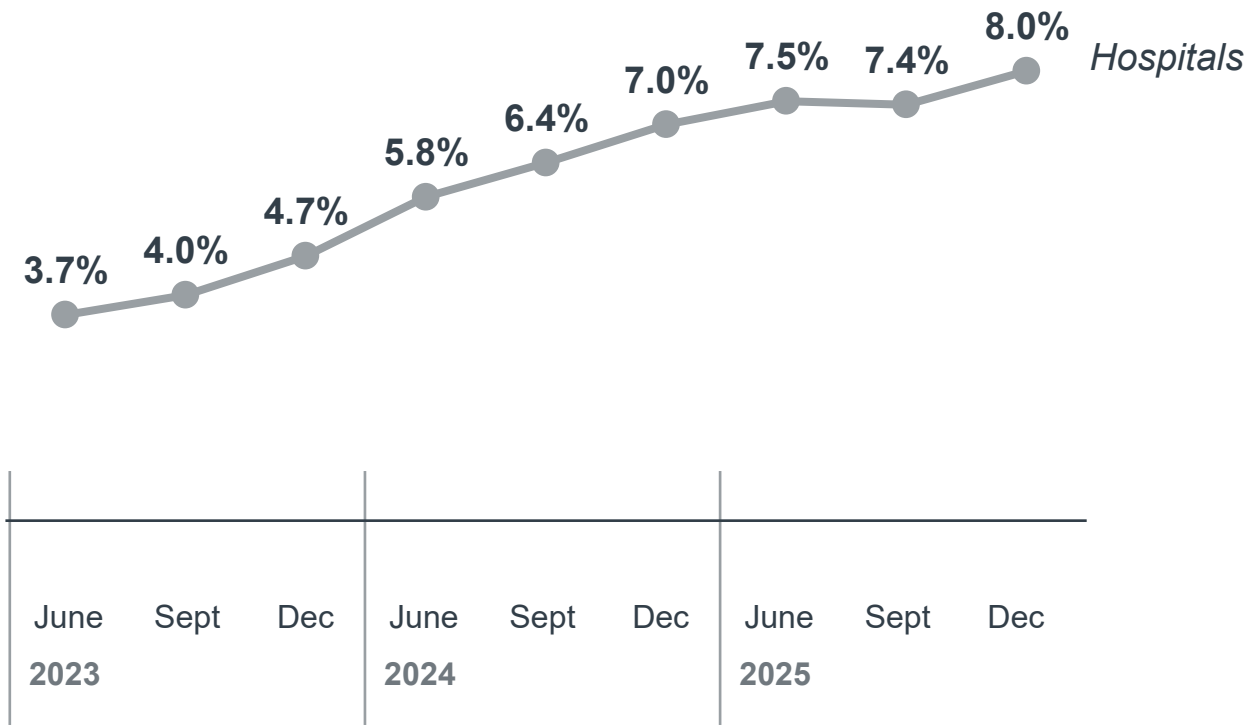
Tech investment
Plans are investing in technology—particularly AI—to manage operating costs and increase Stars

Vertical ecosystems
UnitedHealth Group completes $3.3B acquisition of home healthcare company Amedisys in 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-Dec. 2025



3.3% **Year-over-year median growth** in median health system margin
DEC 2025

1.4:1 Ratio of **S&P credit downgrades** to upgrades, not-for-profit hospitals
JAN 2026

35% Of health systems are **operating in the red**
DEC 2025

Source: Syntellis Performance Solutions. Accessed March 2026. Goldstein L. Five key takeaways on hospital rating activity moderation in 2025. Kaufman Hall. January 21, 2026.

Medicaid cuts compound rural hospital pressures

Rural hospitals have slim operating margins → **Medicaid funding cuts add to existing revenue challenges** → **Compounding pressures put hospitals at risk of closure**

2% Median rural hospital **operating margin**, compared to 8% median operating margin across all hospitals[1]

Factors contributing to low margins

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

Commercial

33% **Decline** in working age (15-64) population in rural areas[2]

Medicare

4x **Growth** in rural Medicare Advantage enrollment[2]

Medicaid

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

14%

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

Rural Health Transformation Fund of $50 billion to be allocated to states over five years[3]

1. 12-month average December 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. 2026 State of the State. Chartis. Feb 2026; 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

Rural closures create regional problems

Rural hospital closures hurt access, strain capacity, and increase costs across an ecosystem

Reduced access to primary care

8.6% average decrease in local PCP supply post closure

Strained capacity at nearby facilities

10% average increase in ED visits within two years of nearby rural closure, compared to 3% average growth rate pre-closure

Increased cost of care, for providers and payers

5.2% increase in length of stay for emergency conditions at urban facilities related to rural closures

> “[Rural closures are] **impacting our daily capacity challenges and access needs**. We already had challenges; now even more demand is coming at us.” – COO, AMC in the Northeast

Source: Mills CA, et al. The impact of rural general hospital closures on communities—A systematic review of the literature. The Journal of Rural Health. November 2023. Ramedani S. et al. The bystander effect: Impact of rural hospital closures on the operations and financial well-being of surrounding healthcare institutions. Journal of Hospital Medicine. September 2022. Gujral K, Basu A. Impact of Rural and Urban Hospital Closures on Inpatient Mortality | NBER. National Bureau of Economic Research. June 2020.

Interdependencies spur innovative rural partnerships

Sample rural health partnership opportunities

EXAMPLE PARTNERSHIP	**Commonspirit's Collaborative Care Model** transfers stabilized patients back to rural hospitals, and rotates surgeons to perform procedures in rural hospitals	**Rough Rider Rural Clinically Integrated Network** negotiates value-based care contracts on behalf of 22 independent rural hospitals in North Dakota	**University of New Mexico's HERO program** funds and deploys university-employed agents who support rural CBOs and address local health and social needs
KEY GOAL	*Keep care localized*	*Innovate payment models*	*Address social determinants of health*
	• Improves rural hospital **margins** • Improves CommonSpirit hospitals' **capacity**	• Boosts commercial **reimbursement** for rural providers • Preserves **access** to quality care for rural members	• Develops **healthier**, more vibrant rural communities • Reduces **preventable utilization** at UNM
IMPLICATION FOR REGION	**Altered referral patterns, payment landscape, and patient affinities**		

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 – PMC Annals of Family Medicine. Jan 2010.

Pharmacy closures threaten shrinking frontline access

Retail pharmacy[1] pressures drive closures and consolidation, putting rural communities at greatest risk

Retail pharmacy pressures

Reimbursement

Low reimbursement from PBMs[1] 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 bankruptcy, May 2025
- 1,000+ closures, less than 200 locations slated to remain

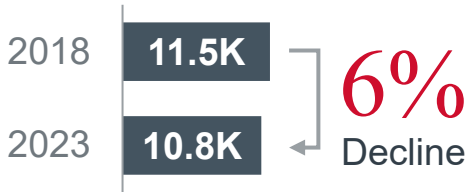
CVS

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

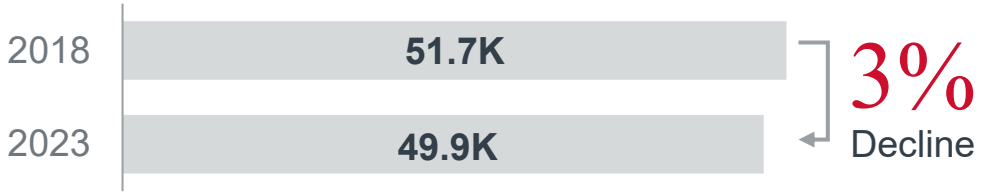
Walgreens

- 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%

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

Essential pharmacy services

- Vaccines
- Contraceptives
- Urgent care
- Patient education

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.

1. Retail pharmacies include chain and independent pharmacies.

Pharmacy closures send shockwaves across the industry

Pharmacy closures drive ripple effects throughout the healthcare ecosystem

Pharmacy closure

Lower patient medication use

- Reduced access to preventive services
- Decreased medication adherence

24% of statin users did not refill their prescription in a 12-month period[2] after pharmacy closure

More pharmacist burden

Pharmacists absorb more prescriptions from closures which increase workload and burnout, and decreases time for care

CVS acquired prescription files of **625** Rite Aid pharmacies across 15 states after closures

Health system capacity pressure

Delays and unfilled prescriptions lead to increased usage of the ER and readmissions

33% of medication-related ED[1] visits related to underuse or noncompliance

Lower health plan cost and quality

Non-adherence and medication delays lead to increased medical costs and reduced quality scores

30% of a health plan's Part D Star Rating determined by medication adherence

Source: Park S, Kim AJ, Ah Y-M, et al. Prevalence and predictors of medication-related emergency department visit in older adults: A multicenter study linking national claim database and hospital medical records. *Frontiers in Pharmacology*. October 13, 2022; Medicare 2025 Part C & D Star Ratings Technical Notes. Centers for Medicare & Medicaid Services. October 3, 2024; 2024 National Pharmacist Workforce Study: Final Report. American Association of Colleges of Pharmacy. May 27, 2025; Viswanathan M, Golin CE, Jones CD, et al. Interventions to improve adherence to self-administered medications for chronic diseases in the United States: A systematic review. *JAMA Network Open*. April 5, 2019.

1. Emergency department

Retail pharmacy decline reshapes the front door to care

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

E-commerce pharmacies

Online pharmacies that accept cash payment and insurance

BENEFITS

- Eliminates travel
- Guarantees availability before purchase
- Discounts and promotions

LIMITATIONS

- Subject to shipping delays
- Limited access to pharmacist counseling and acute care
- Privacy and data security risks

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

Health systems

Health systems with ownership of retail pharmacies

BENEFITS

- Potential revenue driver
- Increases patient access
- Enhances care integration

LIMITATIONS

- Staffing challenges
- Gaps in retail expertise
- Limited foot traffic

EXAMPLE

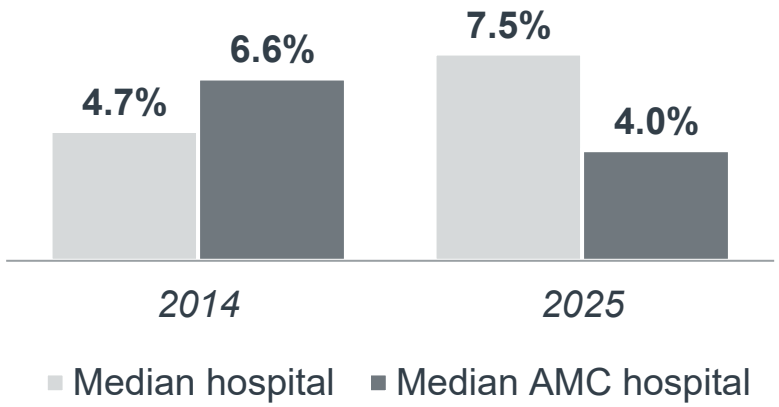
Advocate Health owns and operates more than 70 retail pharmacies in WI and IL → 80% of patients with hypertension managed by pharmacists are meeting blood pressure goals

Source: Yeung K, Wilden D, Gupta V, Matlin O. 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%

Percent of US medical school **revenue from care delivery**

Federal actions accelerate erosion to core AMC business model

Inpatient-centric care	CMS 2026 OPPS[1] proposes phasing out IPO[2] 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 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, IV. Revenue by Source, FY 1977 through FY 2024 | AAMC. AAMC. Accessed July 2025. Davis J and 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…

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

AMC

…and spur growth activities

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 only absorb 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.

Imperatives and implications for regional organizations

	Community Health Systems	SHARED TENSIONS AND CHALLENGES	Regional Health Plans
SAFETY NET ACCESS *The care ecosystem tipping point:* Utilitarian patchwork diffuses responsibility	Hyper-compete for financially viable volumes • *Increased share of uncompensated care* • *Service cuts pressure vital regional capacity* • *Shifting referral patterns and partnerships*	• Dependence on commercial purchasers • Higher acuity needs	Balance affordability and network stability • *Enrollment reductions cut revenues and worsen risk pools* • *Overexposure in fully-funded coverage* • *Bargaining power shifts*
PURCHASER SPEND MANAGEMENT	Distinguish performance at treatment level		Orchestrate connectivity across curated vendors
CARE DECISION MAKERS	Connect clinician and patient experience		Advocate for local needs amid national standards

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

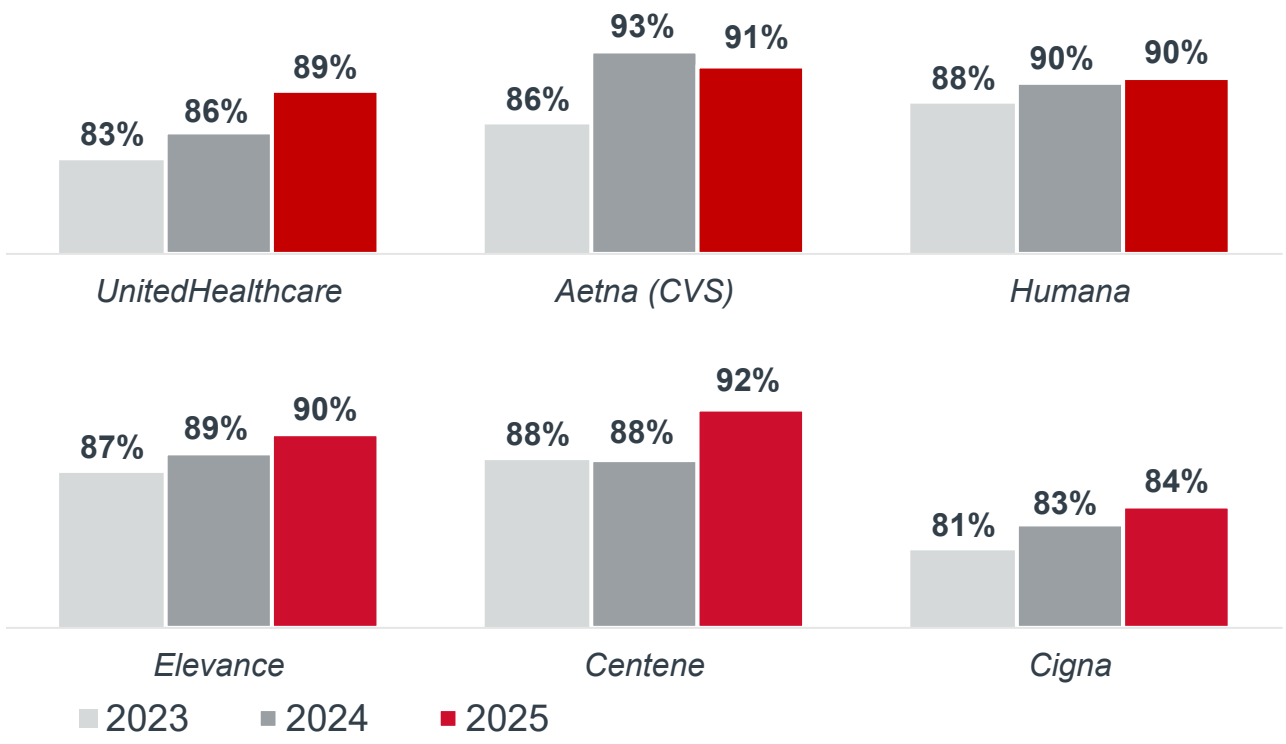
Specific treatments and conditions require unique expert overseers

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.

Payers grapple with seemingly endless cost pressures

Largest insurers' quarterly medical loss ratio (MLR)

Graphs not to scale



Blues plans particularly challenged

Average operating margin for Blues health plans

+0.3% (2023) → -2.9% (2024)

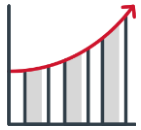
Highest operating margin for a Blues plan: **+3.7%**

Lowest operating margin for a Blues plan: **-19.7%**

Source: Tepper N. How Blue Cross and Blue Shield company finances fared in 2024. Modern Healthcare. April 2025; Minemyer P. "Major payers saw mixed results in Q3. Here's a look at how each fared." Fierce Healthcare. November 2024; 2025 Q3 earnings reports and 10-K filings from, $CI, $CNC, $CVS, $ELV, $HUM, and $UNH; Emerson, J. Payers ranked by 2025 medical loss ratios. Becker's Hospital Review. February 12, 2026.

Perfect storm of headwinds continue the cost trend spike

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



Specialty service utilization

- Specialty **drugs** (especially infusions and GLP-1s)
- **Downstream** specialty care and outpatient procedures in MA[1] (especially orthopedics)
- **Behavioral** health services (especially ABA[2] for autism)

Elevated unit costs

- Procedure coding and **billing intensity**, aided by AI and automation
- Rate **negotiation** pressure from input cost growth (especially labor)
- **Out-of-network** payment increases through No Surprises Act settlements

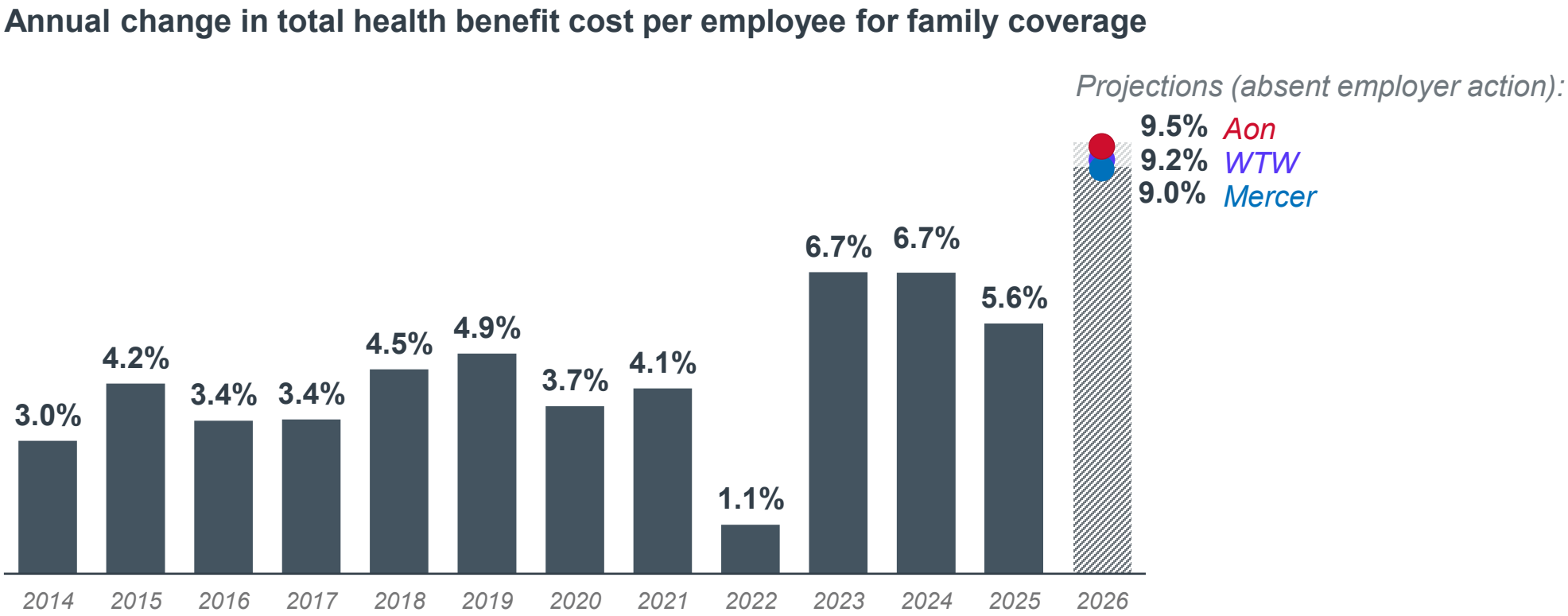
Insurance constraints

- **Demographic** shifts challenging actuarial pricing
- High-cost claimants outpacing **stop loss** pricing
- **Public scrutiny** on utilization management tactics

1. Medicare Advantage.
2. 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.

Employers asked to absorb cost growth—but can they?



Source: Premiums and Worker Contributions Among Workers Covered by Employer-Sponsored Coverage, 1999-2025. *KFF*. 2025; Aon: U.S. employer health care costs expected to rise 9.5 percent in 2026. *Aon*. September 10, 2025; "Survey: Employers expect third year of high health cost growth in 2025." Mercer. September 12, 2024; Casolo E. The forces driving 2026 health insurance price hike forecasts. Becker's Payer Issues. September 11, 2025; Employers prepare for the highest health benefit cost increase in 15 years. Mercer. September 3, 2025.

A diffusion of ownership over spend management

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

SAFETY NET ACCESS

PURCHASER SPEND MANAGEMENT

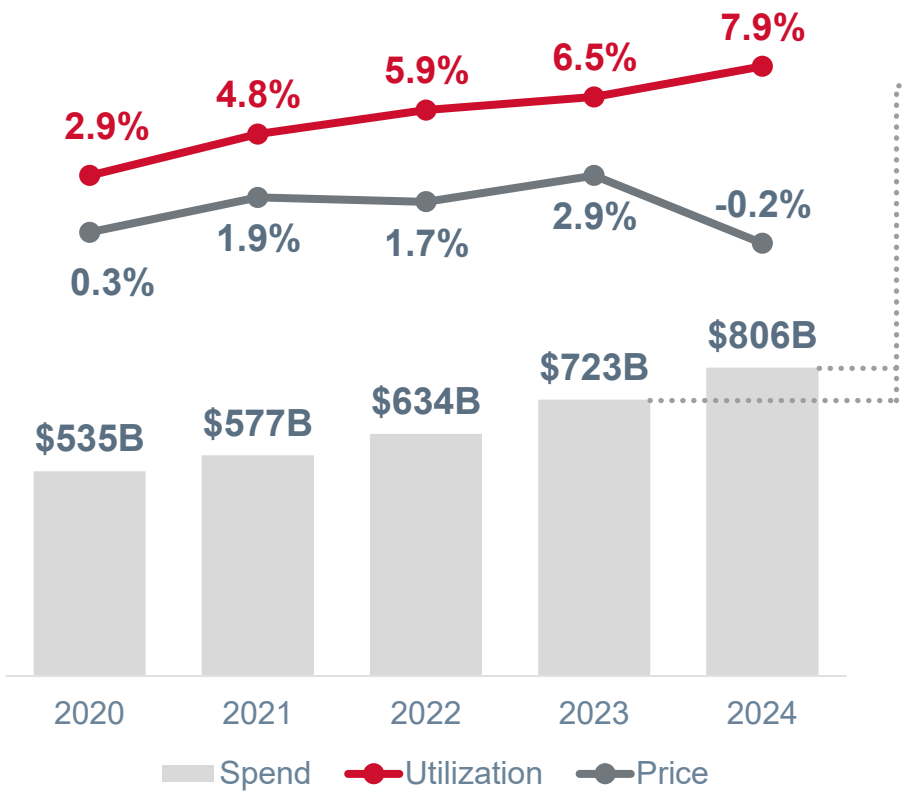
The limits of generic scale

CARE DECISION MAKERS

Sample niche third party solution	*Revealed challenges with generalist approaches*
1 Dedicated GLP-1 coverage navigation programs	**Multidisciplinary delivery complexity** High-cost specialty therapies require unique, coordinated management
2 Behavioral health platform utilization standards	**Uncertain clinical impact** High-demand specialists need mediator to balance overuse guardrails and admin burden
3 Variable co-pay insurance product interfaces	**Provider performance variation** Organization-level contracting with consolidated providers masks inefficiencies

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) *Weight management, diabetes*	$54B	39.4% ▲
Tirzepatide (GLP-1) *Weight management, diabetes*	$31B	140.4% ▲
Adalimumab *(Humira)* *Inflammatory conditions (e.g. joints, skin)*	$28B	-20.9% ▼
Apixaban *(Eliquis)* *Blood thinner -- treats and prevents clots*	$26B	18.1% ▲
Empagliflozin *(Jardiance)* *Diabetes, chronic kidney disease, cardiovascular disease*	$21B	28.9% ▲

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 2022. American Journal of Health-System Pharmacy. July 8, 2022; Tichy E, et al. National trends in prescription drug expenditures and projections for 2023. American Journal of Health-System Pharmacy. July 7, 2023; Tichy E, et al. National trends in prescription drug expenditures and projections for 2024. American Journal of Health-System Pharmacy. July 8, 2024; Tichy E, et al. National trends in prescription drug expenditures and projections for 2025. American Journal of Health-System Pharmacy. 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 UM[1]

Cost

The list price is **$11,000 - $16,000 PMPY,**[2] with a potentially large population of eligible members

▶ 40% Adults under 65 with private insurance could be **eligible for a GLP-1 drug**

Complexity of use

GLP-1s can warrant lifelong use, and **discontinuation can lead to reversal** of health improvements

▶ 50% Patients using GLP-1s for weight loss **discontinued use within 12 months**

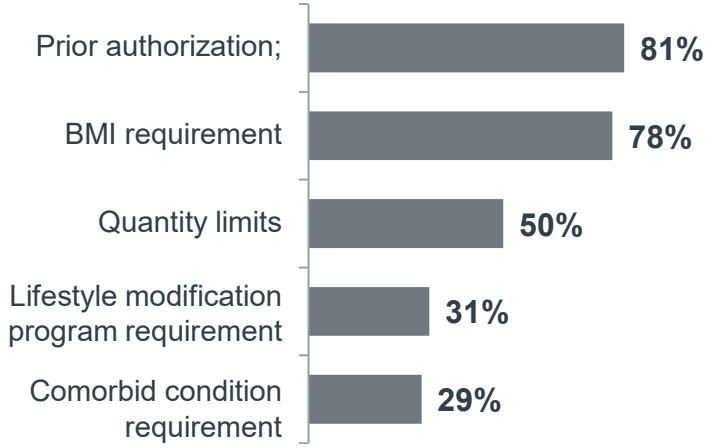
Expanding usage

Off-label prescribing for use beyond type 2 diabetes has driven **utilization and demand**

▶ 3+ **Expanded uses** expected by 2028: *Alzheimer's disease, MASH,*[3] *and Chronic Kidney Disease*

Health plan GLP-1 cost management strategies

Top health plan strategies[4] *to control costs for GLP-1 drugs for obesity, 2025*



Trend: BCBSMA, BCBSM, and IBX end coverage for weight loss drugs

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

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

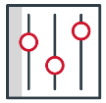
Key vendor solutions

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

OptumRx

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 who implemented Optum Rx strategies saw GLP-1s contribute 50% less towards overall growth rate

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.

Behavioral health use grows, as do concerns about value

Payers use telehealth to broaden BH[1] access

10x

Growth in mental health[2] telehealth visits, 2019-2022

48%

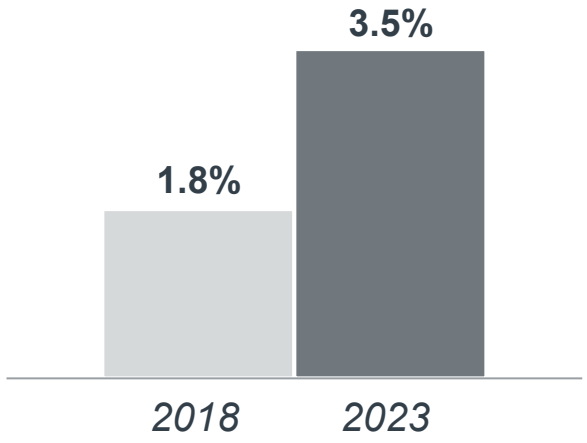
Growth in in-network behavioral health providers, 2019-2023

70k

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

Increased access spikes utilization

Behavioral health claims as a percent of total commercial claims



39% Increase in **mental health[2] utilization** from 2019 to 2022

Utilization drives increased plan spend, questions about quality

$680 Increase in average PMPY[3] therapy spend on ESI[4] 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

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.

Source: Cantor et al. Telehealth and In-Person Mental Health Service Utilization and Spending, 2019 to 2022 | Health Policy | JAMA Health Forum | JAMA Network JAMA. Aug 2023. Employer-Provided Coverage Provides Broad Access to Mental Health Support Networks. AHIP. About Us - The Largest Online Therapy Provider | BetterHelp Betterhelp.com, Accessed Aug 2025. Aug 2022. Medical cost trend: Behind the numbers: PwC. PWC. July 2025. Gordon et al. HCCI Mental Health Brief_2/2025. Health Care Cost Institute. Feb 2025. Headway's 2023 Company Report | Headway. Headway. Dec 2023. Explore Online Counseling & Therapy Jobs | Talkspace. 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

Independent clinicians

Behavioral health platforms

Payers

- **Administrative support**, including billing, credentialing, note-taking
- **Algorithms** to find ideal match between therapists and patients
- **Proprietary EHR** customized for behavioral health data tracking
- **Clinical decision support tools** in the EHR
- **Contracting scale** with payers and employers

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

Measurement-based behavioral healthcare practice is comprised of three components:

Collecting patient-reported outcomes

Engaging patients in evidence-based treatment plan

Tracking progress across time

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 et al. Return on Investment of Enhanced Behavioral Health Services | Health Care Delivery Models | JAMA Network Open | JAMA Network 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

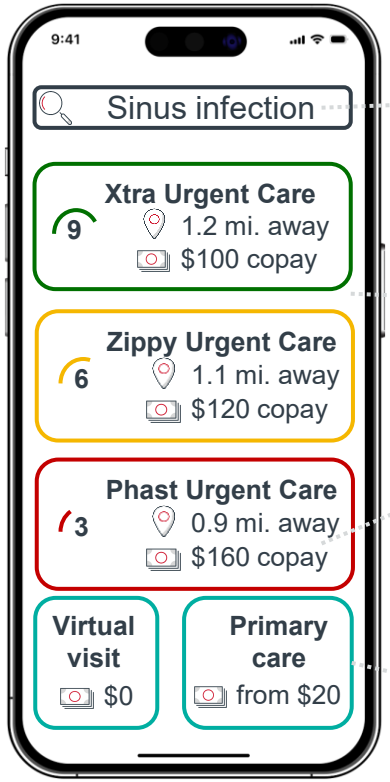
No or low deductibles

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 **upfront costs**

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

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

Products catch employers' eyes…

Employers with a variable copay plan in place/planned for 2025

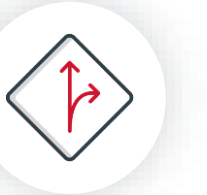
Employers considering a variable copay for 2025 or 2026

… but skepticism remains

- Upfront costs not always accurate
- Requires 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. Accessed July 31, 2025; 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.

Service-level steerage will alter contracting dynamics



Provider implications of service-level steerage

- Disruptions to volumes predictability and referral pathways
- Reduced ability to balance negotiated rates across services
- Potential patient confusion about costs and referrals

Key provider responses to prepare for variable copay plans

Engage with the health plan to understand how they determine your rating and copay

> "[Higher rankings are possible] if a provider resolves the condition with fewer complications, fewer readmissions, or for a lower total cost. You get there by **driving better outcomes**."
>
> *Benefits Leader, National Health Plan*

Identify which sites and services are most important for your strategic priorities

Prioritize cost and quality goals for those services to ensure they're well-ranked in plan platforms

Ensure adequate capacity to meet demand for higher ranked services

Equip your staff with the tools and education to answer patients' coverage questions

WHAT TO WATCH

- **Do competitors change their pricing** to drive volumes to specific services and locations?
- Will this alter the **structure of traditional network contracting**?
- What will uptake be with **smaller employers**?

Imperatives and 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 *The limits of generic scale:* Niche delegation diffuses ownership	Distinguish performance at treatment level • *Reduced direction over referral integrity* • *Increased standards for high-margin procedures*	• Contracting complexity • Eroded brand identity • Fragmented care	Orchestrate connectivity across curated vendors • *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 diffusion of influence over care decision makers

SAFETY NET ACCESS

PURCHASER SPEND MANAGEMENT

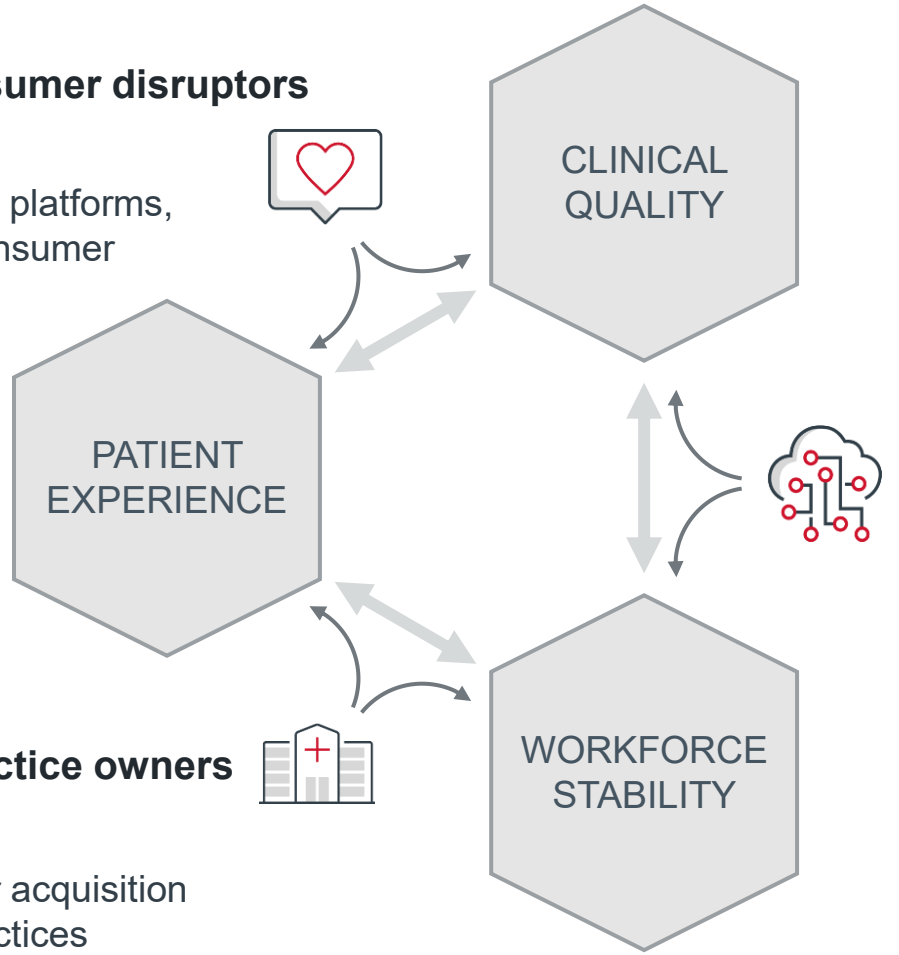
CARE DECISION MAKERS

The new power brokers

Direct-to-consumer disruptors

WHAT'S NEW?

Social media, AI platforms, and direct-to-consumer services



Industry enablement vendors

WHAT'S NEW?

AI implementation in clinical workflows and revenue cycle activities

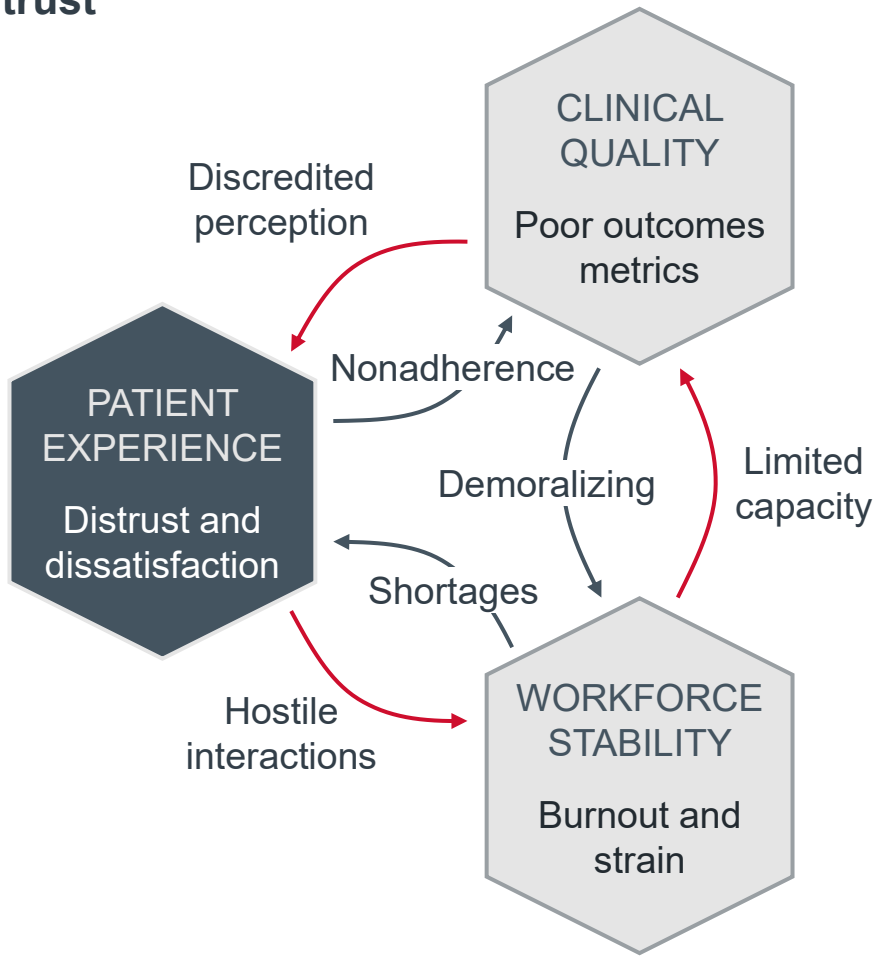
Physician practice owners

WHAT'S NEW?

Drug wholesaler acquisition of physician practices

Consumer experiences intersect with care delivery goals

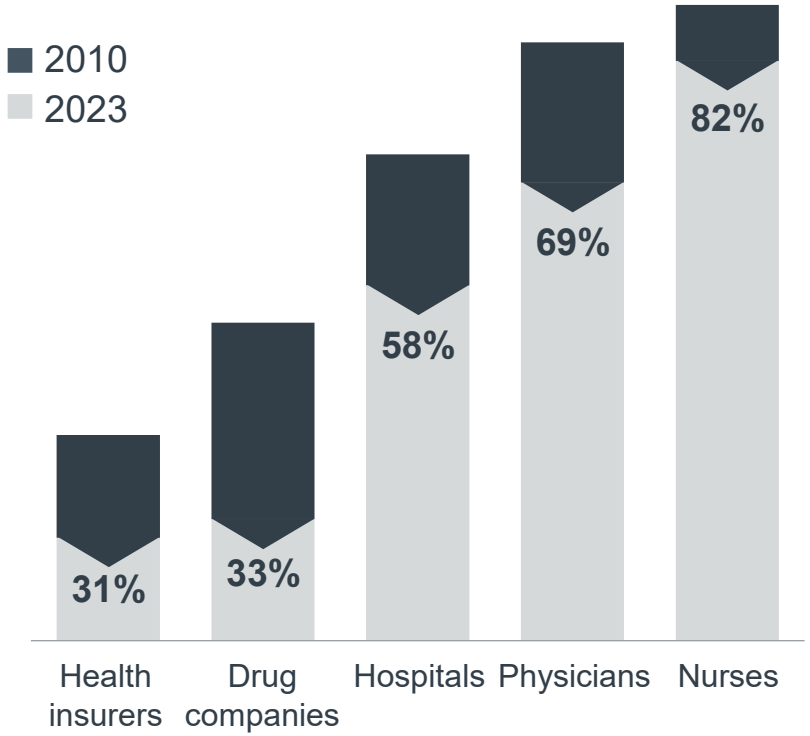
Feedback cycles of declining patient trust



Dissatisfaction with patient experience brews distrust

Dissatisfaction spans healthcare sectors

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



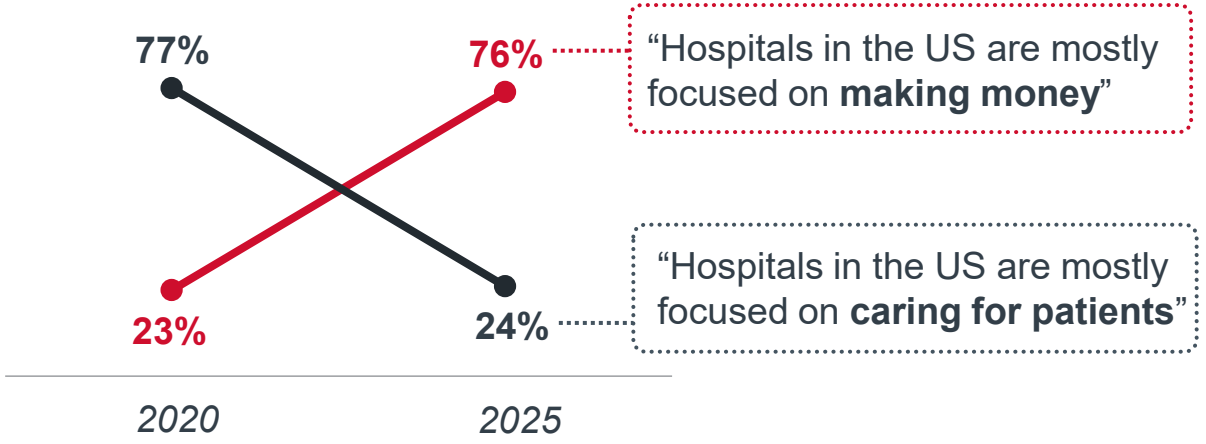
Growing distrust extends to hospitals and physicians

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

Percent 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 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) 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 relationship[1] 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 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% Physicians who report feelings of burnout
n=9,226

52% Nurses who report feelings of burnout
n=79,022

Violence encounters

82% Nurses who experienced at least one incident of workplace violence, 2023
n=914

Demographic vulnerabilities

Immigration policy stressors

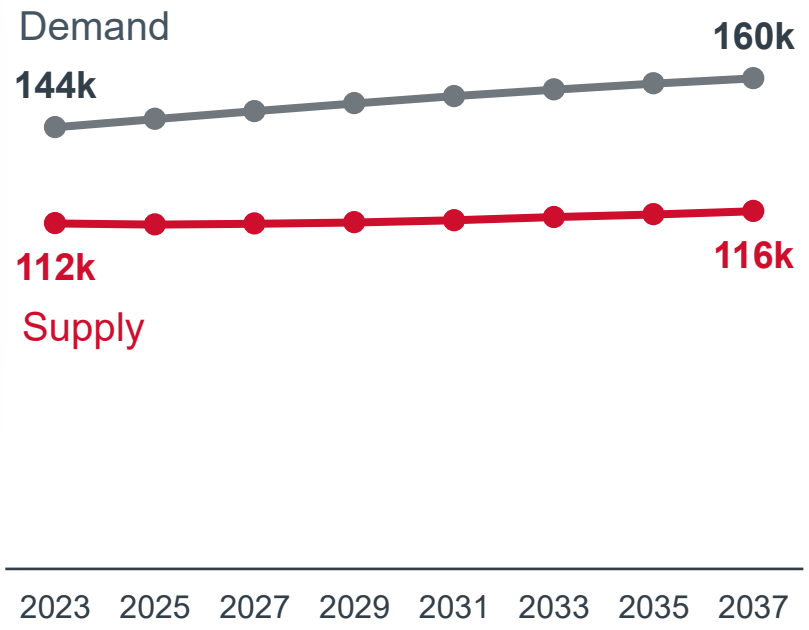
27% Hospital-based physicians who are immigrants

28% Long-term care workforce

Looming retirement wave

20% Physicians who are 65 years or older

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



Hulver S, Levinson Z, Pillai D. 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. Published April 2, 2025; B. Mackenzie "Burnout rates by healthcare occupation". Becker's Hospital Review. December 2024.

Distrust fuels the measles comeback cycle

Measles outbreak demonstrates impacts of distrust

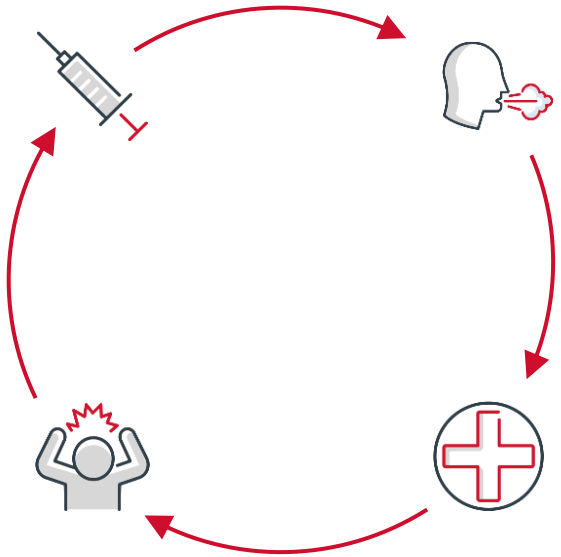
Distrust reduces preventive care

39 States with MMR vaccination rates <95% (herd immunity) for the 2023-2024 school year, up from 30 states in 2019-2020

Preventable burden adds to burnout

"We're having a much more difficult time trying to reassure people that we really are doing the right thing… Burnout, for sure, for pediatricians would be on the rise."

Dr. Sapna Singh, CMO, Texas Children's Pediatrics



Health outcomes worsen

92% Measles cases were among individuals who **were unvaccinated** or with unknown vaccination statuses in 2025

Exacerbated needs strain capacity

13% Measles cases **required hospitalization** in 2025[2], and cases are most frequently admitted via the ER

> **"Once we see a resurgence of measles, we know that other diseases are going to come behind it."**
>
> Eric Ball, MD, District Vice Chairperson, American Academy of Pediatrics, District IX

1. Measles, Mumps, Rubella
2. Through August

Sources: Williams E. et al. Kindergarten routine vaccination rates continue to decline. KFF. August 5, 2025; Measles cases and outbreaks. CDC. Accessed August 27, 2025; Chovatiya R. & Silverberg J. Inpatient morbidity and mortality of measles in the United States. PLOS ONE. 15(4). April 28, 2020; Unger T. "Biggest challenges for pediatricians: Physician burnout, addressing misinformation and more." AMA Update.July 10, 2025; Sun L. US measles cases reach 33-year high as outbreaks spread. The Washington Post. July 7, 2025.

A diffusion of influence over care decision makers

SAFETY NET ACCESS

PURCHASER SPEND MANAGEMENT

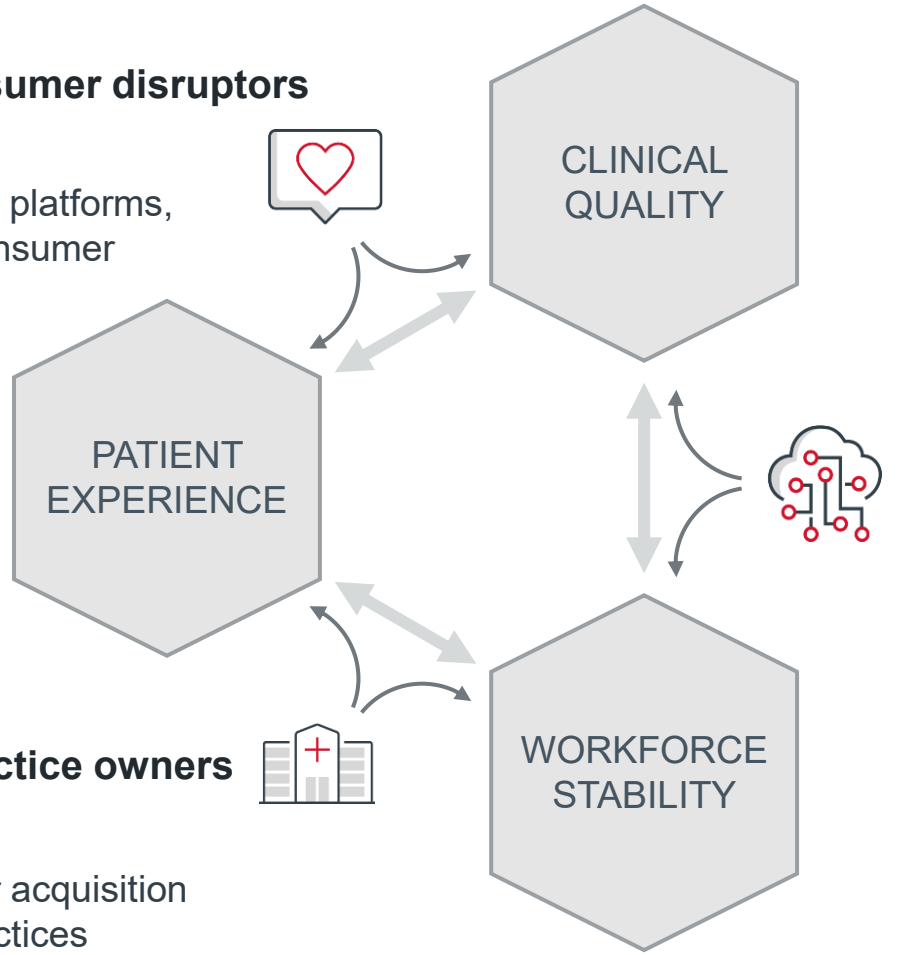
CARE DECISION MAKERS

The new power brokers

Direct-to-consumer disruptors

WHAT'S NEW?

Social media, AI platforms, and direct-to-consumer services



Industry enablement vendors

WHAT'S NEW?

AI implementation in clinical workflows and revenue cycle activities

Physician practice owners

WHAT'S NEW?

Drug wholesaler acquisition of physician practices

New clinical influencers go direct to consumers

Gathering health information

52% of Americans have tried a health tactic[1] they found on **social media** in the last year, while 34% tried a tactic from their healthcare provider

> Meet the influencers who say drinking **Bleach is a magical cure-all**
>
> *The Times*

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

> Artificial intelligence tools make **education materials more patient friendly**
>
> *NYU Langone Health*

Seeking care and treatment

11% of adults use an **online provider or website** to obtain a GLP-1

> 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; Ensor J. Meet the influencers who say drinking bleach is a miracle cure-all. *The Times*. July 3, 2025; Presiado M, et al. KFF health misinformation tracking poll: Artificial intelligence and health information. KFF. August 15, 2024; Artificial intelligence tools make education materials more patient friendly. NYU Langone Health. April 30, 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.

Many familiar ambitions for physician acquisition

Common strategic models for organizations that acquire physician practices

MODEL	Consumer-focused front door	Single-specialty platform	MA[1] utilization manager	Regional multispecialty network
DEFINITION	Accessible clinics drive business to other healthcare services	Aggregated practices with scale and shared resources	Senior-focused primary care clinics for MA patients	Multispecialty delivery network pursuing diversified growth paths
EXAMPLES	▪ One Medical ▪ Village MD	▪ HOPCo ▪ Unified Women's Health	▪ Agilon Health ▪ Oak Street	▪ Optum Health ▪ Privia
HOW THEY WORK WITH PHYSICIANS	● Employment ○ Joint venture ○ IPA[2] ○ MSO[3]	● Employment ● Joint venture ○ IPA ● MSO	● Employment ○ Joint venture ○ IPA ● MSO	● Employment ● Joint venture ● IPA ● MSO

WHOLESALERS?

1. Medicare Advantage. 2. Independent practice association. 3. Managed services organization.

Dominant wholesalers more than just intermediaries

Key wholesaler services

Distribution services

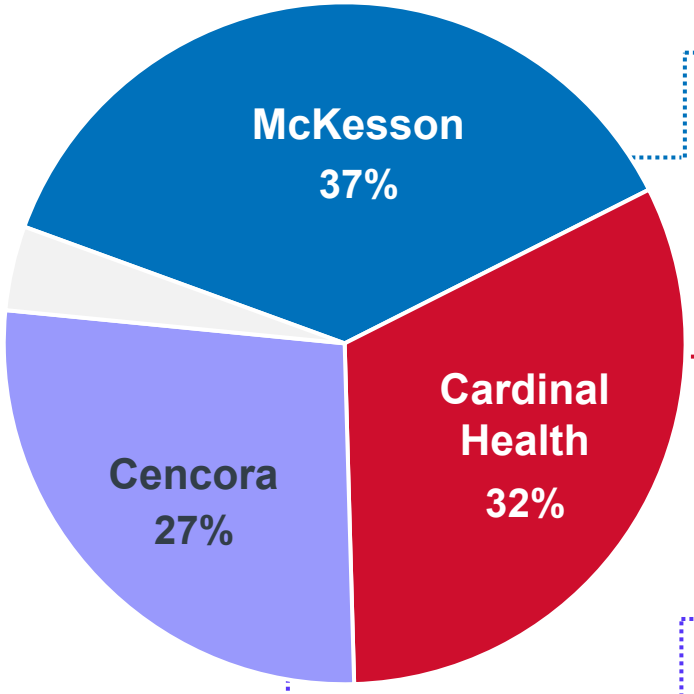
- Drug distribution
- Logistics
- Storage
- Inventory management

Pharmacy operations support

- Pharmacy franchise programs
- Payer contracting
- Technology
- GPOs[1]

Profile of three major players

2024 Wholesale distribution market share



2024 Total revenue and key business

McKesson
$309B

10% of revenue connected to other key business segments, International services, prescription technology, and medical-surgical supply

Cardinal Health
$294B

23% of revenue driven by specialty solutions, medical products, logistics, and home health equipment

Cencora
$227B

32% of revenue attributed to specialty businesses in medical supply, international services, and supply chain management

1. Group purchasing organization

Fein A. The 2024-25 Economic Report on Pharmaceutical Wholesalers and Specialty Distributors. Drug Channels Institute. October 2025.

Wholesalers move upstream into care delivery

Major medical group acquisitions by drug wholesalers

McKesson

2010	**US Oncology**	*2K providers*
2016	**Vantage Oncology Holdings**	*350+ physicians*
2024	**PRISM Vision Holdings**	*180+ physicians*
2024	**CORE Ventures**	*250+ physicians*

Cardinal Health

2024	**Integrated Oncology Network**	*100+ providers*
2024	**GI Alliance**	*1K+ physicians*
2025	**Urology America; Potomac Urology**	*110+ providers*
2025	**Solaris Health**	*250+ providers*

Cencora

2023	**OneOncology**	*900+ providers*
2024	**Retina Consultants of America**	*315+ physicians*
2024	**United Urology Group**	*250+ providers*

ONCOLOGY PROVIDER · OPHTHALMOLOGY · GASTROENTEROLOGY · UROLOGY

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.

The technological transformation of the clinical journey

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

AI & AUTOMATION USE CASES	BEFORE	DURING	AFTER
Reduced burden	• Scheduling and intake • Eligibility checks • Prior authorization requests	• Ambient listening scribes • Evidence-based medical necessity criteria review	• In-basket messaging management • Visit summary documentation
Expanded capability	• Customized medical history summarization and formatting • Adapt capacity for predicted utilization	• Documentation and quality gap opportunity prompts • Decision support with future outcome prediction	• Realtime risk monitoring (for falls, sepsis, HACs, etc.) • Tailored patient communication and check-ins

Levels of ownership over model control:

- ● Built in-house by organization
- ● Built by vendor, reliant on organizational data
- ● Built by vendor, reliant on external vendor data

Curiosity "Large Medical Model" simulates future events

Epic's Cosmos Medical Event Transformer generative AI model

TRAINING INPUTS	MODEL OUTPUTS
De-identified full patient journeys, including medical history, encounters, demographics, lab results, medications, diagnoses, etc.	**Predicted future patient journey**, incorporating expectations for condition improvement or exacerbation, admissions, ED visits, medical events, etc.

- Model trained using 151B tokens created from 118M patients and 115B discrete medical events
- Data drawn from Epic Cosmos dataset representing 17.8B encounters from over 300M unique patients at 320 systems
- Outperformed or matched task-specific models for 55 out of 78 tasks (diagnosis prediction, prognosis, encounter prediction, etc.)

STATUS QUO

Example single-purpose machine learning model

TRAINING INPUTS	MODEL OUTPUTS
• Fall history • Fear of falling • Functional status	• Risk of fall during hospital stay • Risk of falling in future

Considerations for Curiosity rollout

Access

Available in February 2026 to early adopters, with broader access possible in late 2026

Control

Epic will work with customers to determine best use cases and turn them into products via EHR

Caution

External experts caution about limitations for ability to link cause and effect, and potential for embedding inequities and bias

Source: Trang B. Epic's 'large medical model' aims to change how hospitals predict patient risk. STAT. August 27, 2025; Waxler S et al. Generative Medical Event Models Improve with Scale. arXiv preprint arXiv:2508.12104. August 16, 2025; Capodici A et al. A scoping review of machine learning models to predict risk of falls in elders, without using sensor data. *Diagn Progn Res*. 2025 May 6;9(1):11.

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

Competing escalation today…

Emerging RCM & PI activities

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

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

…toward a shared equilibrium in the future?

Emerging mutual improvements

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

Potential capability transformation

- Consolidated patient billing
- Realtime claims adjudication
- Contracting for clinical appropriateness

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, Niles S, Hollander R. Three key takeaways from the CMS Innovation Center's new WISeR Model. McDermott+. July 10, 2025.

Imperatives and 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	Distinguish performance at treatment level		Orchestrate connectivity across curated vendors
CARE DECISION MAKERS	Connect clinician and patient experience • *More competition for patient share of wallet* • *Greater burnout from admin tasks and difficult patient management* • *Increased ED use*	• Diminished physician alignment impact • Agnostic national vendor standards • Care pattern shifts	Advocate for local needs amid national standards • *Limited direction over care choices* • *Poor clinical outcomes* • *Clinical documentation and billing escalation*

The new power brokers:
Sprawling advisors diffuse influence

Imperatives and implications for regional organizations

	Community Health Systems	Regional Health Plans
SAFETY NET ACCESS *The care ecosystem tipping point:* Utilitarian patchwork diffuses responsibility	Hyper-compete for financially viable volumes	Balance affordability and network stability
PURCHASER SPEND MANAGEMENT *The limits of generic scale:* Niche delegation diffuses ownership	Distinguish performance at treatment level	Orchestrate connectivity across curated vendors
CARE DECISION MAKERS *The new power brokers:* Sprawling advisors diffuse influence	Connect clinician and patient experience	Advocate for local needs amid national standards