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MARKET IMPACT REPORT

Re-energize health consumer engagement and bridge the payer-provider divide with GenAI

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Executive summary

It's 2024, and the US healthcare system stands at a pivotal juncture, bookended by deteriorating health outcomes, including declining life expectancy, increasing prevalence of chronic conditions, and opioid and mental health epidemics. Concurrently, technological innovation is accelerating via the adoption of artificial intelligence (AI) at scale, innovative care models, and a resurgence of digital-health-fueled primary care. The combination of deteriorating health outcomes and technology innovations creates opportunities to move forward with the triple aim of care—reduced costs, enhanced experiences, and improved health outcomes. Due to technological innovation, we can see the beginning of a healthier America, but significant strides are required across the healthcare ecosystem.

HFS Research, in partnership with Cognizant, interacted with the CXOs of 350 US health plans (payers) and health systems (providers) to explore the impact of vertical integration and generative artificial intelligence (GenAI) on payer-provider friction and consumer experiences and engagement.

This unique study revealed six illuminating and actionable highlights for the next wave of healthcare opportunities.

1

A shift in funding helps address the diverse needs of health consumers

Five of the six generations in the US population are in the US workforce, each with a unique set of needs. The healthcare system must address each generation's needs appropriately, which is a growing demand the younger generations vocalize. This demand should drive seismic shifts in thinking about how health and care need to be delivered. Enrollment in self-insured employer plans is soaring at the expense of commercial insurance with the resonance of new care delivery models, such as subscription-based primary care and digital-first care services.

2

Vertical integration is designed to expand influence and mitigate risks

Consequently, more than 50% of healthcare enterprises, including health plans and health systems, are reacting to threats, such as a loss of high-margin business and new competition, and opportunities, such as new markets and emerging technology, through a variety of acquisitions. These acquisition profiles reflect consolidation and vertical integration to expand healthcare enterprise reach.

3

Healthcare enterprises drive blind on health consumer needs

Despite having ambitious growth aspirations through acquisition, nearly 60% of health plans and health systems admit to lacking a robust understanding of their evolving member or patient needs. Conversely, however, more than 50% of payers and providers claim they have the digital capabilities to meet consumer needs.

4

The payer-provider divide is wide and has dangerous implications

Over 50% of health plans and providers recognize a high to very high disconnect between their respective operations that directly impact member experience and health outcomes. Ironically, there is a divergence in their belief of why the disconnect exists; while payers blame data integrity, providers blame regulations. Despite the disconnect about the drivers of the disconnect, about 70% of payers and providers assign the highest priority to addressing their operational divide.

5

GenAI's expected impact spans a spectrum

Payers and providers are intrigued by GenAI's potential. However, payers appear to be convinced that GenAI is a game changer, particularly for administrative functions. In contrast, providers are more muted about the impact of GenAI but do agree it has the potential to positively impact care delivery.

6

The lack of GenAI vision can impact investments

While over 70% of payers and providers anticipate the greatest impact of GenAI on health outcomes and member experience, only 20% have a vision for GenAI that is influencing their investment decisions. Approximately 50% plan to invest between $1 million and $10 million in GenAI, with about 70% anticipating this spending will occur within the next two years.

"One size fits all" does not fit healthcare anymore

2024 officially welcomed Generation Alpha, the latest generation, born between 2010 and 2014 to mostly millennials. This digitally native generation is the first generation to be born entirely in the 21st century, and while Generation Alpha will not enter the workforce for some time, it will drive another generational shift in demand. There are five generations active in the US workforce today that preceded GenAI (see Exhibit 1).

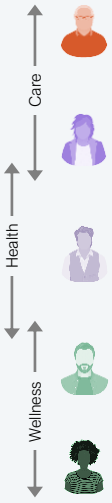
Unlike the youngsters, the seniors tend to be biased toward healthcare

Younger generations are biased toward lifestyle choices like high-intensity exercise and locally sourced foods that could keep them healthy. Additionally, they more fully leverage technology like wearables designed to keep them informed about their health.

The older generations, on the other hand, are frequent utilizers of healthcare, including polypharmacy, acute care, and assisted living, a consequence of age and lifestyle choices over the years. Despite adopting supportive technologies, they are not native or intuitive users, limiting their ability to fully harness technology's benefits in managing their health.

Despite demographic and generational differences, the US healthcare paradigm primarily adheres to a one-size-fits-all-all approach. While there are variations in health plans, the focus remains on optimizing acute care spending (and spending in general) despite messaging to the contrary. Even when labeled as preventative, care is biased toward medication to slow disease progression rather than proactively managing health. It is increasingly clear from health status measures that this paradigm is ineffective across generations and demographics.

Exhibit 1: Health and care needs for generations across 75 years cannot operate on the same template



Generations	% of US workforce	World view shaped by	Motivators	Communication	Work expectations
Silent generation (born 1925–1945)	1%	• The Great Depression (1929–1939) • World War II (1939–1945)	They tend to be conservative, biased to loyalty, and disciplined.	Given their exposure to technology-driven communications was late, they typically communicate with the written word.	They believe respect should be driven by age, they are non-individualist and biased toward the greater good.
Baby boomers (born 1946–1964)	13%	• The civil rights movement • The Vietnam War (1955–1975) • The Watergate scandal, leading to President Nixon's resignation (1972–1974)	They are team oriented and are less likely to work alone. They prefer flexibility in the way they work.	Baby boomers are most likely to use the phone to communicate, followed by face-to-face communications.	They prefer to work hard and will make personal sacrifices to meet their commitments.
Gen X (born 1965–1980)	29%	• The fall of the Berlin Wall (1985) • The dotcom bust (1995)	They prefer work–life balance and make career decisions based on personal interests vs. enterprise needs.	As the first generation to use email at scale, they are comfortable and prefer email, SMS, and the phone to communicate.	They lean toward diversity, tend to have low tolerance of employers that don't meet their expectations and will act (find new employment).
Millennials (born 1981–2000)	44%	• The Columbine High School mass shooting (1999) • The 9/11 terrorist attack on the US (2001)	They are driven by different work experiences and the quality of management.	A generation born into the technology revolution are most at home with text messaging to communicate.	They like to have fun at work, want work-life balance, and deeply care about the planet and its sustainability.
Gen Z (born 2001–2020)	12%	• The Great Recession (2008) • The global COVID-19 pandemic (2020-2023)	They are very individualistic and expect hyper-personalization while embracing diversity by action.	Zoomers typically communicate through text and social media.	They value independence, expect technology to be used for all things, and like to work with younger management.

Data: US Bureau of Labor Statistics, Purdue Global, Pew Research Center
Source: HFS Research, 2024

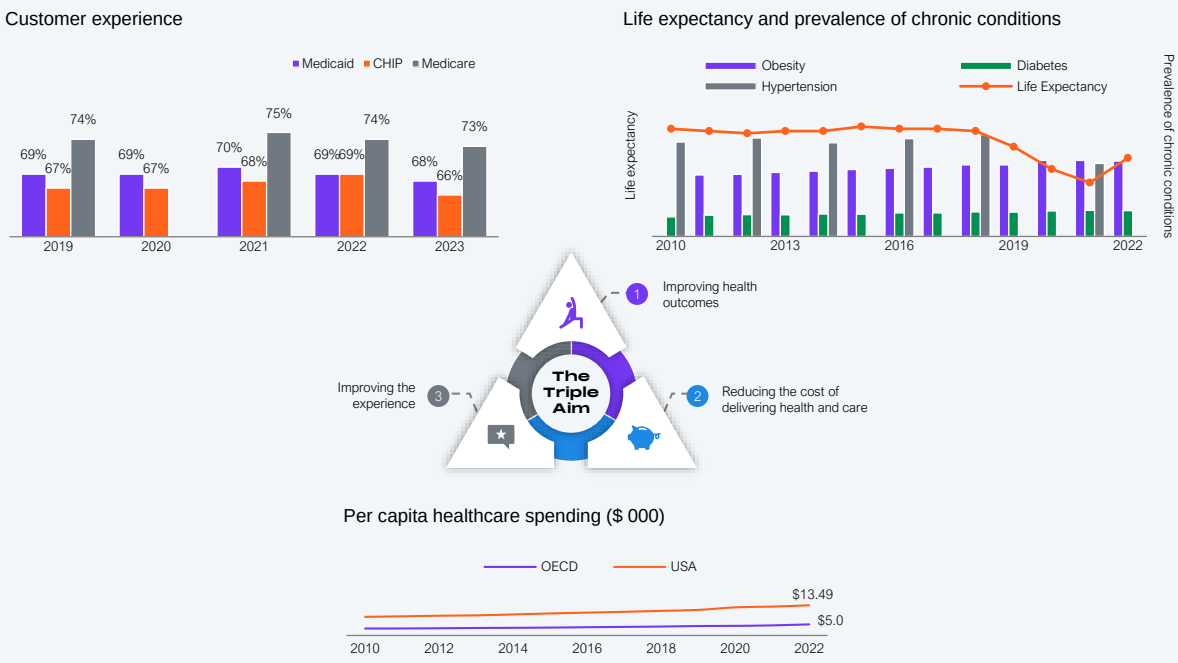
It's not surprising, then, that the triple aim of care is headed in the wrong direction

Health outcomes in the US, as seen through the lens of life expectancy and chronic conditions like diabetes, obesity, and hypertension, have deteriorated. Life expectancy in 2021 regressed to 1996 levels, although it recovered slightly in 2022 (see Exhibit 2). Despite the pandemic's contribution, expert consensus suggests life expectancy depends on a combination of factors such as lifestyle choices, food, health equity, and access. This holds true for the increasing prevalence of chronic conditions, where the correlation between food choices, obesity, hypertension, and diabetes is apparent. Moreover, societal issues are influencing health status; witness the increase in mental health challenges.

If you hadn't noticed, healthcare costs are growing faster than inflation

The ongoing escalation of the cost of care, surpassing general inflation, compounds the industry's challenges. Multiple estimates indicate that from 2020 to 2023, the price of medical care rose by 114%, whereas the consumer price index for all goods and services increased by approximately 81%. This upward trend stems from a combination of supply, exemplified by a decline in the count of clinicians, demand challenges via higher utilization, and the obfuscation of medical pricing. While the Centers for Medicare and Medicaid Services (CMS) rules for price transparency and the No Surprise Act (NSA) are beginning to drive price parity, the tangible impact on consumer behavior will likely take time to materialize.

Exhibit 2: The value being delivered by $4.2 trillion in US healthcare spending is less than stellar



Data: CDC, OECD, CAHPS, HFS Research
Source: HFS Research, 2024

The diminishing healthcare experience could be detrimental to the notion of engagement

Experience of care is an amorphous concept in healthcare, given it's a point-of-care metric versus a measure of the overall journey of health, wellness, and sick care. Still, examining this point-of-care experience offers insight into how health consumers perceive their interactions with health plans and providers. The Consumer Assessment of Healthcare Providers and Systems (CAHPS) initiative measures customer satisfaction with both health plans and providers. Unfortunately, this metric has displayed a stagnant or declining trajectory for Medicaid and Medicare (see Exhibit 2) over the last number of years, indicating a pressing need for deliberate and enhanced efforts to meet consumer needs.

Vertical integration is a reaction to the healthcare ecosystem's inability to address the triple aim of care

The impact of the triple aim is changing market conditions and forcing health plans and health systems to reevaluate their value proposition. Shifting demographics are influencing consumer expectations, challenging the status quo. The existing funding and healthcare delivery models are further under pressure due to discouraging outcomes (see Exhibit 2). Consequently, healthcare enterprises recognize the imperative for transformation and the need for strong partners to effectively execute.

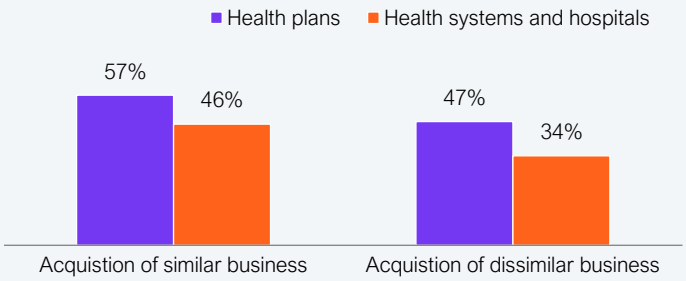
Consolidations and cross–industry acquisitions are the recipe for expanding influence over the outcomes

Healthcare enterprises are acting to make a larger impact on the triple aim, which could mean doubling down on the existing value proposition by acquiring similar businesses in the same geography. Examples would be a health plan buying another health plan or a health system acquiring an independent hospital. Notably, 57% of health plans and 46% of health systems across all enterprise sizes and geographic locations in the US acquired similar businesses over the last three years (see Exhibit 3).

Health plans and health systems have also expanded their footprint across the healthcare ecosystem through acquisitions of dissimilar businesses (health plans acquiring a pharmacy or a provider acquiring a technology entity). Almost 46% of health plans and 34% of health systems have engaged in vertical integration (see Exhibit 3), acquiring adjacent businesses to expand their influence and enhance their impact.

Exhibit 3: Vertical integration and market consolidation are remaking the healthcare ecosystem

In the last three years, has your enterprise acquired another dissimilar enterprise, such as a health plan buying a provider or pharmacy benefit manager (PBM)?
(Percentage of respondents)



Sample: 255 US health plans and 105 US health systems and hospitals
Source: HFS Research in partnership with Cognizant, 2024

Making a healthcare enterprise bigger does not make it better

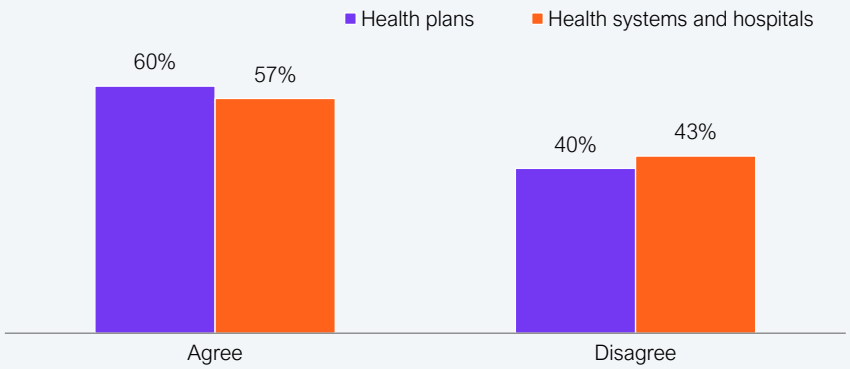
Although a plurality of health plans and health systems made significant acquisitions to expand their presence and potential impact across the healthcare ecosystem, the larger-scale impact is not yet evident. Many healthcare enterprises use acquisitions as part of their enterprise transformation strategy, but substantial work is required to meet consumer expectations.

The imperative for transformation is critical, as nearly 60% of health plans and providers candidly admit to lacking a robust understanding of their evolving member or patient needs (see Exhibit 4). This candor is a dangerous problem requiring urgent attention, given that human health is at stake. Vertical integration has exacerbated the challenge of meeting consumer needs, as health plans and health systems have very different business models; therefore, having a clear vision for the integrated entity is critical.

Despite not fully understanding their consumers' needs, health plans and health systems claim to have a sense of their members' and patients' priorities. There is a crucial need to clarify and rationalize this understanding to ensure that investments made are truly strategic and align with the vision.

Exhibit 4: Health plans and health systems will need a lot of help understanding and addressing consumer needs

What do you think of the following statement: "Health plans and providers do not have a robust understanding of their evolving member or patient needs."
(Percentage of respondents)



Sample: 255 US health plans and 105 US health systems and hospitals
Source: HFS Research in partnership with Cognizant, 2024

While there is merit in instinct–based choices, data–driven facts are more of a guarantee

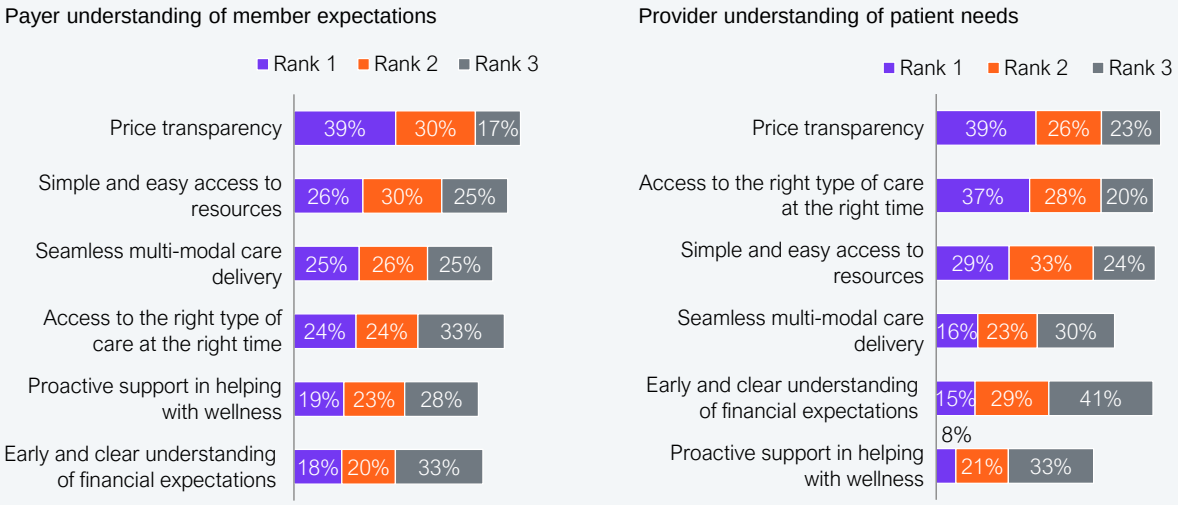
Thirty-nine percent (39%) of health plans and health systems ranked price transparency as the top priority for their consumers (see Exhibit 5). The price transparency rules for hospitals and health plans are anticipated to influence consumer choices. As of early 2024, about 40% of all hospitals complied with the CMS rules, and about 205 (20%) of health plans complied with Transparency in Coverage (TiC) rules. While there is more to do, there has been extraordinary progress in getting many of the 800 million negotiated rates out in the public domain.

While 26% of health plans and 29% of providers acknowledge the importance of providing consumers with simple and easy access to resources to address their health and care needs, the reality on the ground paints a different picture. Consumers continue to struggle with their interactions with health plans and providers. For instance, a Midwest plan has only managed to register 5% of its 5 million members on its member portal. Furthermore, in any given year, only 2% of these registered members log in. Despite these low engagement numbers, the health plan continues to make investments based on feedback from a small portion of its membership to improve consumer experience and engagement.

Thirty-seven percent (37%) of health systems believe patients are looking for the right type of care at the right time, which aligns with their mission to address and improve health outcomes. Again, while the ground realities differ from provider to provider, ease of access to providers and care is not often the case. Raise your hand if you had a conversation with your provider for more than five minutes about your health!

Exhibit 5: Health plans and providers will need help validating consumer needs to ensure they are driving the right outcomes

Please rank your members' or patients' needs by priority, with 1 being the highest.
(Percentage of respondents)



Sample: 255 US health plans and 105 US health systems and hospitals
Source: HFS Research in partnership with Cognizant, 2024

The magic of addressing partially known needs requires an ecosystem approach to cover all the bases

Ironically, despite payers and providers overwhelmingly admitting to a lack of understanding of consumer needs (see Exhibit 4), they believe consumers expect payers and providers to meet their needs digitally. Additionally, many payers and providers claim they have the digital capabilities (see Exhibit 6) to meet their consumer needs. A surfaced argument suggests that decades of experience interacting with health consumers equips payers and providers with a decent understanding of their needs, enabling them to opine on meeting those needs digitally. However, this argument weakens when we recognize the significant demographic shift that has moved the goalposts on consumer expectations.

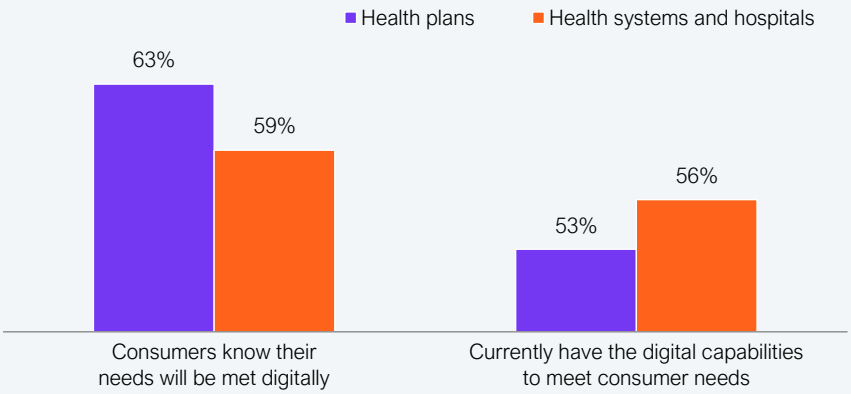
Built-for-purpose solutions typically yield the best financial, experiential, and health outcome returns. However, without a robust understanding of consumer needs, payers and providers are taking a scattergun approach to developing their capabilities.

Health plans' bias toward inorganic approaches gets to the end quicker

Health plans are decidedly biased toward inorganic pathways for developing capabilities to meet their members' needs. With substantial financial resources at their disposal, payers ranked acquisitions as their primary strategy for addressing member needs (see Exhibit 7). Partnerships closely follow, recognizing that it takes a village to raise a child. Notably, building digital capabilities in house ranks at the bottom, reflecting a historical lack of payers' success in homegrown digital solutions. Outsourcing is a third tranche of tools. Overall, payers adopt an operational cadence, with 42% of payers indicating that their capability development and management efforts will be ongoing.

Exhibit 6: The paradoxical tangle of claiming digital capabilities to meet the unknown needs of consumers

What do you think of the following statement: "Health plan members or provider patients know their needs will be met digitally and have the digital capabilities to meet member or patient needs."
(Percentage of respondents)

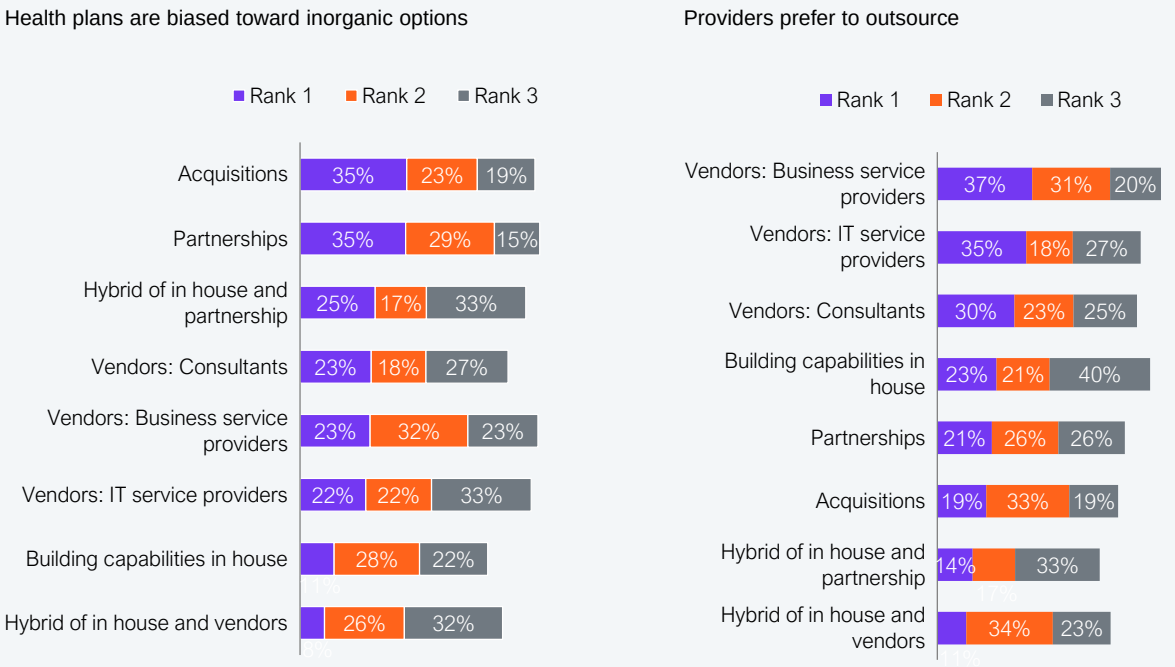


Sample: 255 US health plans and 105 US health systems and hospitals
Source: HFS Research in partnership with Cognizant, 2024

Health systems that are incredibly starved for capital are biased toward outsourcing and partnerships with service providers (see Exhibit 7). Business service providers are the top choice for health systems to address the needs of their patients. Given providers' relatively delayed adoption of outsourcing, there is a consensus that the benefits are substantial compared to more mature outsourced practices in payers and other industries. Consequently, health systems ranked outsourcing their technologies second, especially in the context that care delivery is their core competence, and they don't need the distraction of managing their technologies. Health systems, like payers, are biased toward an operational cadence, with 38% of providers indicating that their capability development and management efforts will be ongoing.

Exhibit 7: Payers and providers take diametrically opposite approaches to meeting their health consumers' needs

How do you plan to meet your members' or patients' needs? Rank by priority, with 1 highest.
(Percentage of respondents)



Sample: 255 US health plans and 105 US health systems and hospitals
Source: HFS Research in partnership with Cognizant, 2024

The disconnections of disconnections are harmful to your health

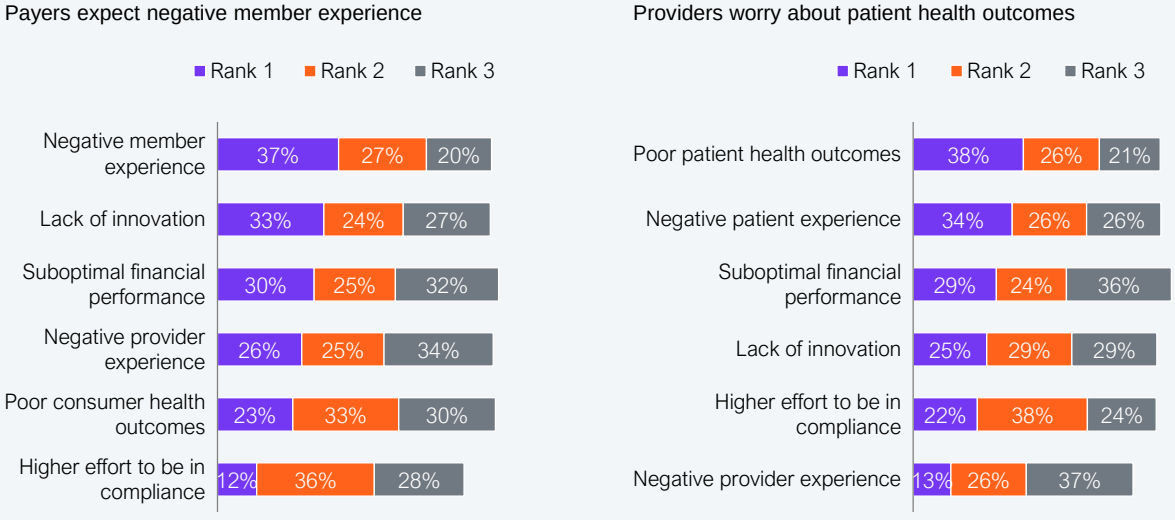
Health plans and health systems are the two sides of the same coin: one pays for care, and the other delivers it. There is an inherent expectation of symbiosis between the two. However, the reality is starkly the opposite, with many health plans and providers recognizing a high to very high disconnect between their operations.

The disconnect between payers and providers extends to their understanding of the impacts. Payers express concern about the negative impact on their members, with 37% ranking it first for impact (see Exhibit 8). While that may be a valid concern, there is a strong argument suggesting that payer processes such as prior authorization, claims management, and unclear benefits are more likely to impact member experience rather than the disconnect with providers. The inability to innovate, likely stemming from a lack of willing partners, particularly providers, is also a concern for 33% of payers. This innovation gap could be decisive in a highly competitive market with self-insured employers choosing different delivery models.

Another third of payers are mostly concerned about the financial impacts, given the implications to payer-provider contracts, network nuances, and pricing. The disconnect has also created unnecessary processes that a smoothly operating ecosystem would not require, such as utilization management or prior authorizations.

Exhibit 8: Payers and providers disagree on the impact of their disconnect

Please rank potential impacts due to the disconnect between payers and providers to your enterprise, with 1 being the highest.
(Percentage of respondents)



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Source: HFS Research in partnership with Cognizant, 2024

Payer disconnect worries providers about patient health outcomes and experiences

It is no surprise that some 38% of providers are most concerned about the health outcomes of their patients (see Exhibit 8)—as they should be. The delays induced by administrative processes like prior authorizations can result in irreversible damage to a patient's health. Additionally, 34% of providers worry that the disconnect with payers adversely impacts the patient experience. Imagine the frustration of taking the day off from work for a procedure, only to learn at the last minute that the payer declined coverage, creating unnecessary hurdles for both the provider and patient, even if the payer eventually agrees to cover the procedure on appeal. Providers are also mindful of the financial implications, with 29% of providers believing that the disconnect with payers drives suboptimal performance. The disconnect could be reflected in delayed payments, increased utilization reviews, or other processes that could divert provider focus from their patients.

Yet they can't agree on what drives the disconnect between them

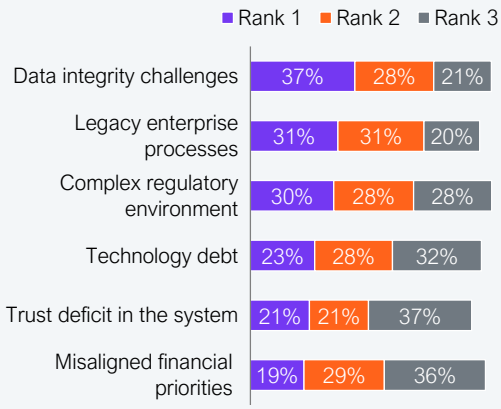
Health plans and health systems attribute the disconnect between them to different drivers. Some 37% of payers indicate that data integrity challenges are the main cause, while another 31% think it's their legacy processes (see Exhibit 9). There is an argument that data is driven by the processes it facilitates. In this context, it is encouraging that a third of payers recognize that their processes, whether legacy or not, are a key opportunity for improvement.

Thirty-seven percent (37%) of health systems attribute their disconnect with payers to the complex regulatory environment (see Exhibit 9). Although healthcare is undeniably a heavily regulated industry with numerous compliance requirements, tracing a direct line to how regulations impact their interactions with payers is a challenge. Following closely, 31% of providers attribute the disconnect to data integrity and tech debt. This is intriguing; technology and data are essential enablers, but providers rank them lower as drivers for the disconnect with payers. It is striking to see providers rank processes—the ultimate reflection of the disconnect—so low on their list. This suggests that providers may not understand the real cause of the disconnect with their payers.

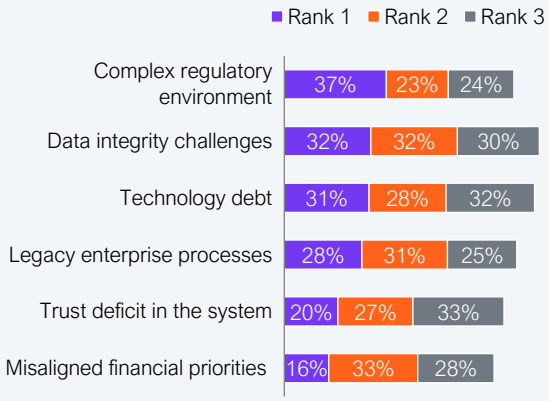
Exhibit 9: Payers and providers disagree about why they are disconnected

Please rank the reasons behind the disconnect, with 1 as the most significant reason.
(Percentage of respondents)

Payers consider data key to disconnect with providers



Providers blame regulations for disconnect with payers



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Source: HFS Research in partnership with Cognizant, 2024

The bridge across the payer–provider divide can be built with technology

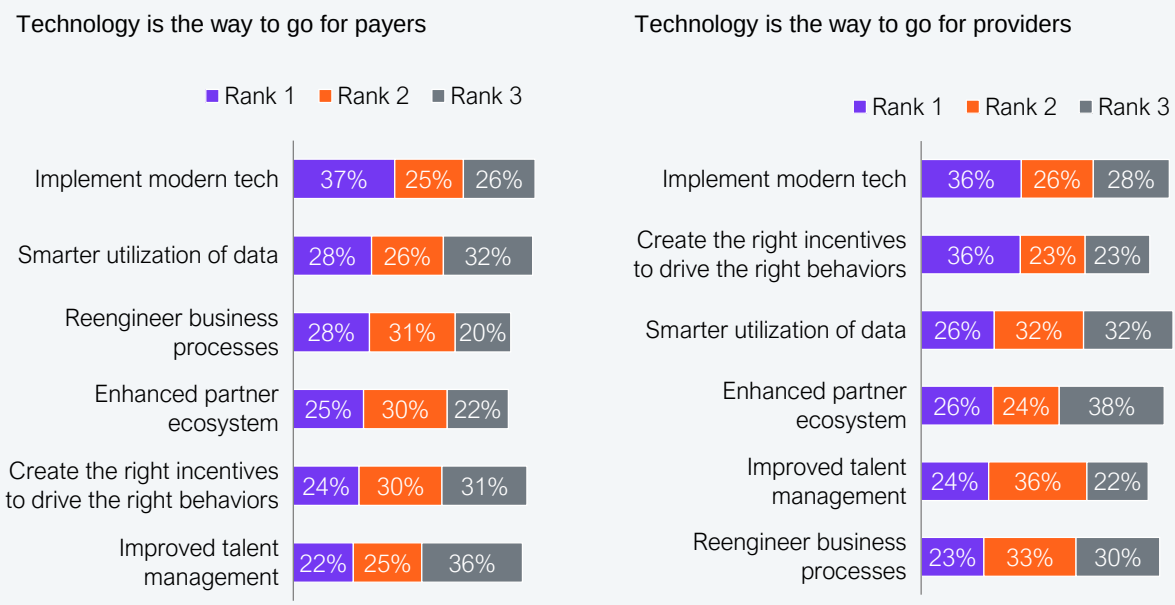
While there are multiple drivers for the disconnect between health plans and providers, there is an overwhelming agreement that the disconnect must be addressed. A substantial 91% of payers and 87% of providers concur that without addressing the payer-provider friction, delivering improved health outcomes for their members and patients will remain unattainable.

Despite myriad reasons contributing to the disconnect between payers and its dangerous implications for human health, health plans and health systems share a common vision for addressing the divide. Almost identically, 37% of health plans and health systems (see Exhibit 10) want to leverage modern technology to overcome these challenges. Given the variety of drivers behind the divide, such as data integrity, tech debt, and regulations, emerging technologies like GenAI hold the highest potential for addressing the issue, especially when complemented by expert partnerships and acquisitions.

Thirty-six percent (36%) of providers believe that a people-driven solution must be considered to address the disconnect with payers, emphasizing the inherently people-centric nature of provider enterprises—human clinicians helping human patients. It reiterates that while adopting modern technologies is key to payer collaboration, providers must also ensure they address the human element to drive the right actions and outcomes.

Exhibit 10: …and they said there was a payer-provider disconnect

Please rank the priority of how you are trying to address payer-provider friction, with 1 as the most important. (Percentage of respondents)



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GenAI's potential is only limited by human imagination

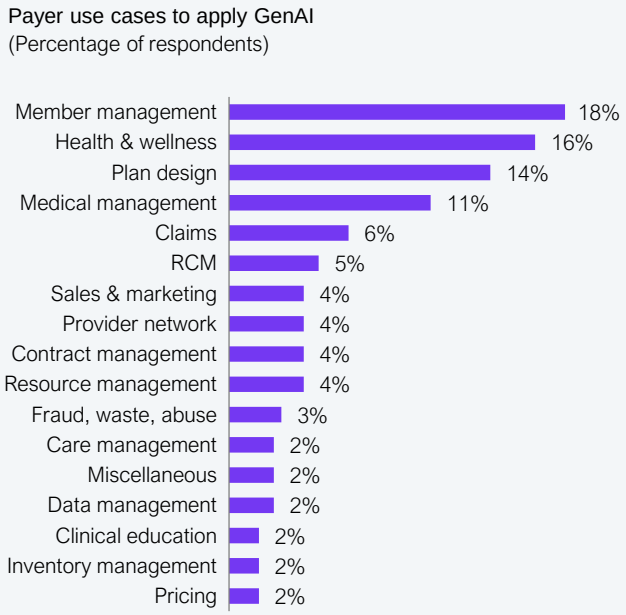
The buzz about GenAI continues a year after the launch of OpenAI's ChatGPT. There is an evolving understanding of GenAI within the broader AI continuum, encompassing natural language processing (NLP), machine learning (ML), GenAI, and EdgeAI. While technologists possess an advanced understanding of GenAI, the business operators are getting educated. This presents an opportunity to better understand what GenAI entails and its potential. In this context, over 64% of health plans believe that GenAI will be a game changer in healthcare, while health systems are muted about their GenAI sentiment.

GenAI can do more than back-office stuff

The popular narrative is that health plans primarily intend to use GenAI to optimize their back-office functions, particularly customer service and claims management. However, there is encouraging evidence that a significant number of payers intend to leverage GenAI to improve member engagement, health, and the value of coverage. GenAI applications in healthcare are evolving.

Although health plans are very expansive in their ideas, only 18% of payers (see Exhibit 11) plan to apply GenAI to address member management, including hyper-personalization to improve member engagement and streamline interactions with providers. Another 16% would like to help members with disease prevention and wellness that can begin to address the needs of multiple generations, as alluded to in the earlier part of this white paper. Additionally, 14% of payers are keen on creating dynamic health plans that can adapt throughout the year based on member needs and circumstances gleaned from social determinants of health (SDOH) while tailoring plans to the individual—a positive evolution in underwriting medical risk.

Exhibit 11: Health plans are keen on deploying GenAI for the betterment of their members



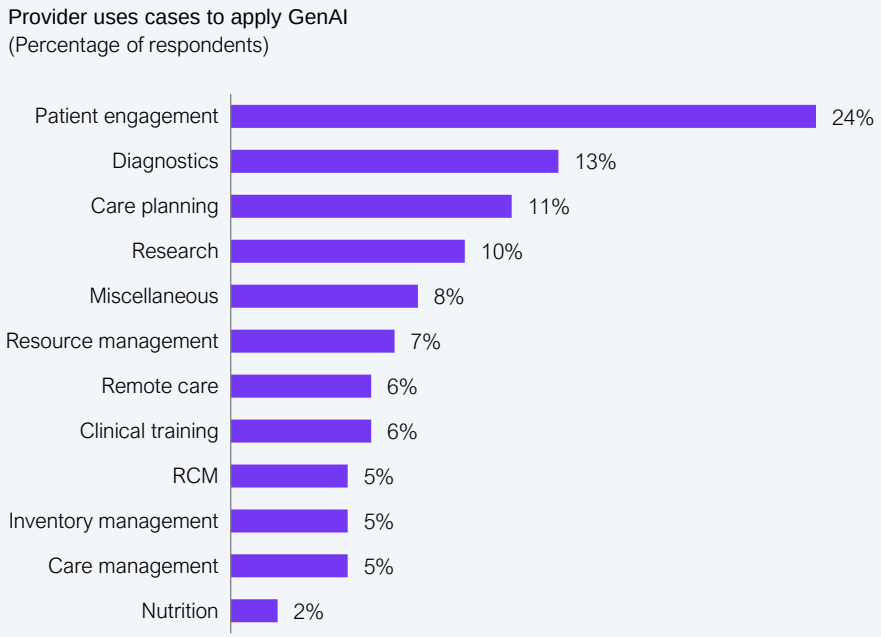
Sample: 255 US health plans
Source: HFS Research in partnership with Cognizant, 2024

Providers will point GenAI at improving health outcomes

A quarter of providers (see Exhibit 12) express the intent to deploy GenAI to enhance patient engagement. This includes personalizing experiences in an acute care setting, customizing content for recovery and wellness, and generating medical summarization. Another 13% plan to leverage GenAI to improve the accuracy and efficacy of diagnostics, including improving medical imagery from MRIs and X-rays and incorporating insights from SDoH that are available in EHRs and clinician notes.

Approximately 11% of health systems aim to apply GenAI to care planning, including using digital twins to simulate scenarios, enabling surgeons to practice procedures in advance, and incorporating genetics, risks, and lifestyle to design custom care plans. There is also enthusiasm for using GenAI to accelerate research and development of therapies to enable faster cures and drive wider adoption of remote care via telehealth, wearable-driven interventions, and other means.

Exhibit 12: Providers are completely focused on the patient when it comes to applying GenAI



Sample: 105 US health systems and hospitals
Source: HFS Research in partnership with Cognizant, 2024

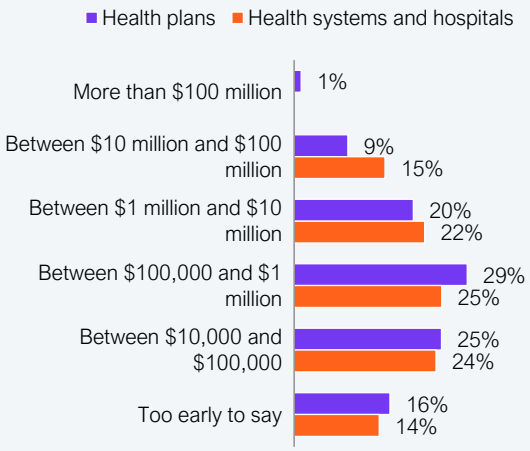
The buzz is beginning to attract investments and will firm up with clarity of vision

Health plans and health systems are very interested in the potential of GenAI in healthcare. Use cases in the first year of the GenAI buzz indicate an appetite to experiment across the value chain, focusing on the health consumer, health and wellness, and diagnostics. This enthusiasm is attracting material investments. About half of health plans and health systems anticipate spending between $1 million and $10 million (see Exhibit 13). Seventy percent (70%) of payers and providers also expect to make those investments over the next two years, with some already commenced. Despite this strength in investment and urgency in deployment, only 20% of payers and providers have a GenAI vision. That must change quickly to improve the success of material investments expected over the next two years.

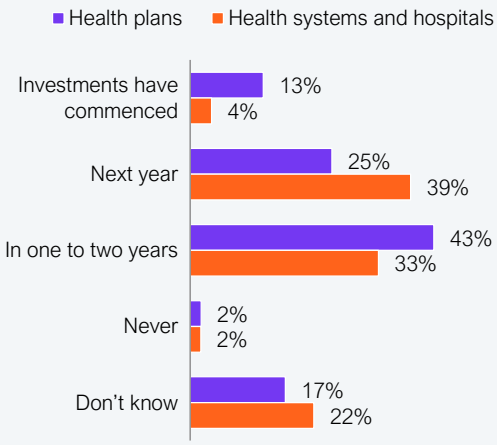
While anticipated GenAI investments and timing of deployment and integration by healthcare enterprises to apply GenAI are encouraging, there are significant barriers to moving from aspirations to reality. Both payers and providers indicate that use cases, skills, and impact will be critical barriers to overcome.

Exhibit 13: Material spending for applying GenAI is likely over the next two years

How much do you think your enterprise will invest in GenAI?
(Percentage of respondents)



When do you think your investments in GenAI will commence?
(Percentage of respondents)



Sample: 255 US health plans and 105 US health systems and hospitals
Source: HFS Research in partnership with Cognizant, 2024

Real–world challenges to applying GenAI need attention

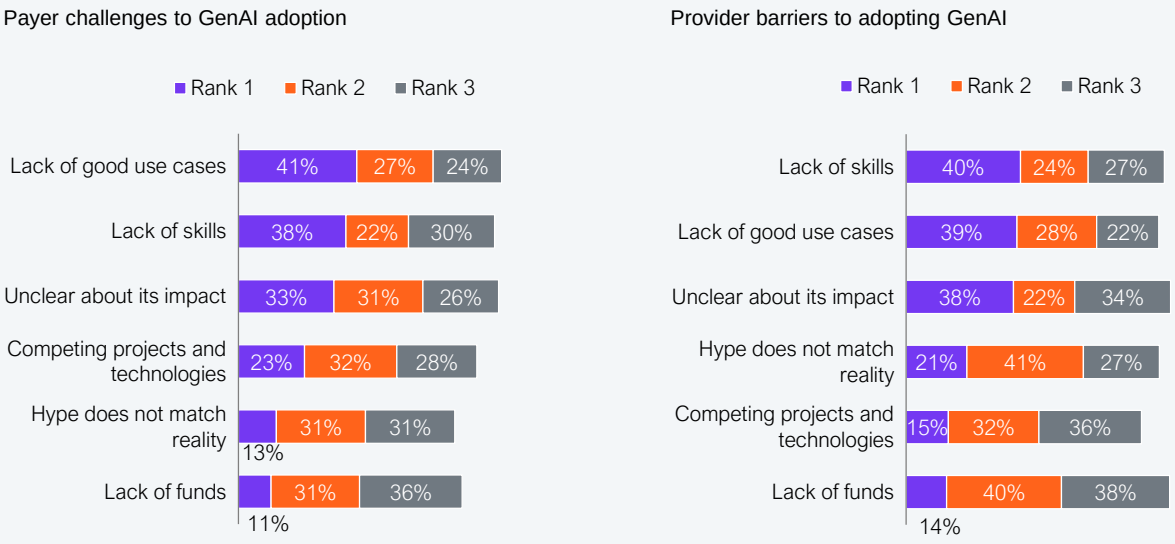
Healthcare practitioners are biased toward applying GenAI to the challenges they face daily, given that 40% of payers and providers rank a lack of good use cases at the top of their mountain of GenAI barriers (see Exhibit 14). While those challenges may be important in the current context, they should not limit the exploration of the possibilities of GenAI. Sophisticated technologies, like GenAI, must be the catalyst to reframe the future instead of mirroring the present.

A lack of skills is also a top challenge that health plans and providers cited. Skills required for GenAI include programming, statistics, machine learning, data processing and visualization, and a certain domain understanding. These skills are also in demand for other emerging technologies and managing current operations. However, enterprises piloting GenAI (ChatGPT) are using plain English language that could provide relief to demand for high-tech skills without competing with applications that require highly technical skills, including coding and engineering. Additionally, the skills to deploy GenAI are geography agnostic, making the global talent pool fair game.

While leadership across healthcare enterprises is keen on making progress on GenAI, there is certain reticence from senior leaders and practitioners about the true impact beyond the buzz. There are encouraging anecdotes, such as extracting SDOH data from EHR by AI in Medicine (AIM), but the Harvard University-led collaborative to improve the accuracy of diagnosis is not at scale. Greater than a third of payers and providers indicate skepticism about the impacts of GenAI, which can be expected with nascent technology. In time, the healthcare system will hopefully be in a better place as we experience GenAI deployed in critical healthcare functions and as part of our interactions with clinicians. Despite the current sentiment and caution to adopt GenAI, payers and providers must modernize their digital core to ensure readiness for an AI-enabled future.

Exhibit 14: Imagination and skills will be key to making GenAI real in healthcare

Please rank the priority of how you are trying to address payer-provider friction, with 1 as the most important.
(Percentage of respondents)



Sample: 255 US health plans and 105 US health systems and hospitals
Source: HFS Research in partnership with Cognizant, 2024

An actionable recipe is key to addressing the challenges and opportunities healthcare enterprises face

Health plans and health systems recognize that the landscape is changing as demographics change, expectations evolve, and technologies advance. The reaction to these changes includes consolidation and vertical integration. However, the outcomes have not yet improved. More needs to be done, and here are the recipe ingredients comprising the winning sauce:

A better understanding of health consumers' needs and aspirations

Payers and providers must gain a better understanding of health consumers' needs and aspirations while incorporating the shifting demand profiles. This can be achieved through continuous social surveillance, voice of the member or voice of the patient surveys, and meaningful insights generated through every interaction. Amazon's retail success is an example of a robust, consistent, and disciplined data-driven approach, leveraging algorithms and AI to analyze customer behavior, preferences, and purchase history. This approach enables personalized recommendations for consumers, a streamlined shopping experience, and the ability for Amazon to continuously adapt to meet evolving demands. Healthcare CXOs can learn from other industries on how to maintain a pulse on consumer demands and utilize gained insights to influence investments and strategic actions to ensure alignment.

A future–forward strategic vision

Create a future-forward vision with strategies that adeptly address the dynamic needs of the evolving health consumer. This involves evaluating new business models to derive value from vertical integration and consolidation investments that improve the triple aim of care.

Clear vision for applying GenAI and advanced technologies

Define a clear vision for applying GenAI and advanced technologies that enable the overall enterprise vision. Modernizing the digital core is critical to ensure foundational technologies are robust and adaptive. Cultivating agility and nimbleness within the organization is crucial to effectively adopting new technologies. This will be key to deriving meaningful impact from the implementation of GenAI and other advanced technologies, fostering a dynamic and responsive healthcare ecosystem.

Collaborative partner ecosystem

Health plans and health systems must actively foster a collaborative partner ecosystem between like entities and external partners. This is crucial to ensuring a holistic and adaptive healthcare model that aligns with the diverse expectations of health consumers across generations and addresses payer-provider friction. Vertical integration plays a pivotal role in creating this ecosystem, with the benefit of configuring payer-provider collaboration to capitalize on the advantages of the vertically integrated enterprise. This interconnected and cooperative approach enables more effective care delivery, driving towards the triple aim of care and fostering improved health outcomes for patients.

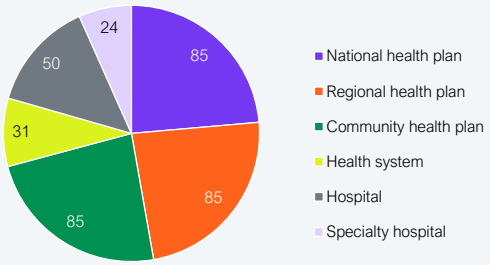
The Bottom Line: Healthcare is at an inflection point with GenAI as a catalyst to address the challenges of the payer–provider disconnect and maximize the value potential of vertically integrated healthcare enterprises.

Navigating the dynamic healthcare landscape reveals the inadequacy of a one-size-fits-all approach to health and care. The complexity is accentuated by demographic shifts, with each generation reflecting unique aspirations and expectations shaped by their exposure to technology and societal changes. Recognizing these critical differences in health, wellness, and care expectations underscores the imperative to rethink engagement strategies. Health plans and health systems must take deliberate consumer-centric action to address these expectations to meaningfully impact the triple aim of care.

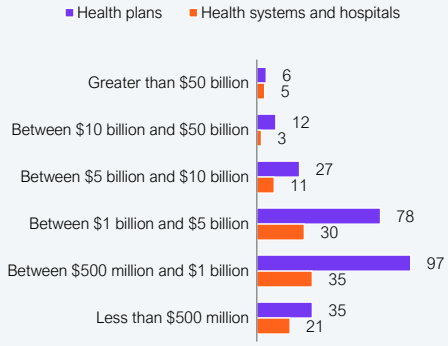
Study demographics

HFS conducted a survey of 255 health plans and 105 health systems CXOs and senior leaders to learn about their views on the ongoing vertical integration in healthcare. The study also dove into learning about the payer-provider disconnect and the impact of GenAI in healthcare.

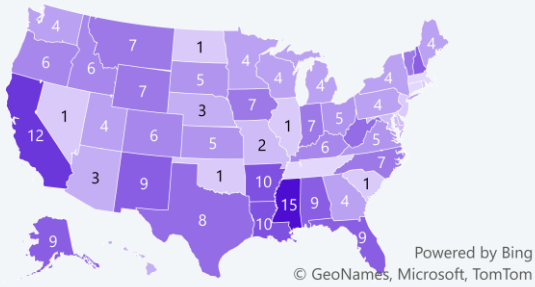
Respondents by type of enterprise



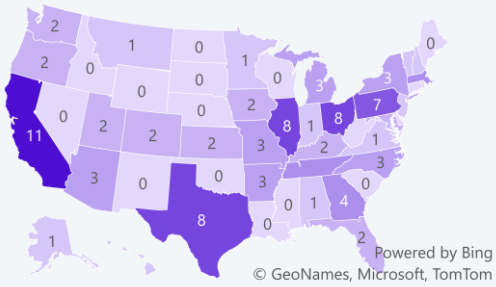
Revenue by enterprise



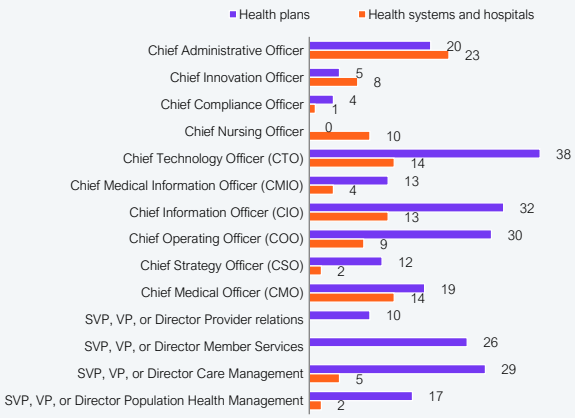
Health plan respondents by HQ (state)



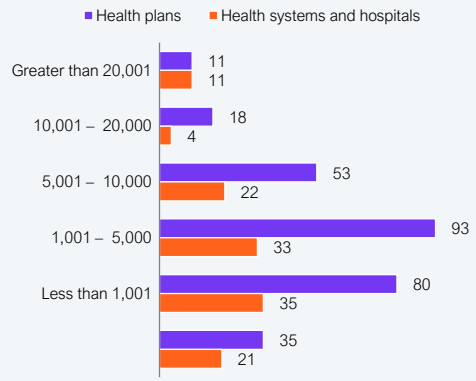
Health system and hospital respondents by HQ (state)



Respondent titles



Headcount by enterprise



Source: HFS Research in partnership with Cognizant, 2024

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Executive Research Leader

Rohan leads the Healthcare practice at HFS, bringing to the table his vast experience across the healthcare ecosystem.

His experience includes being the Head of Healthcare Strategy at multiple Fortune 500 companies, and Product Management leader and CIO at two Health Plans. He is passionate about the triple aim (improving health outcomes, reducing the cost of care & enhancing the care experience) and believes that health & healthcare is a polymathic opportunity that intersects with every industry and facet of our lives. His well-rounded experience & passion brings a practical approach to his analyst role at HFS.

Saurabh Gupta

President, Research and Advisory Services

Saurabh Gupta is President, Research and Advisory Services at HFS. He sets the strategic research focus and agenda for HFS Research, understanding and predicting the needs of the industry and ensuring that HFS maintains its position as the strongest impact thought leader for business operations and services research. He oversees HFS' global research function, managing the global team of analysts and operations across the US, Europe, and Asia.

He is a recognized thought leader, and he's passionate about solving business problems and bringing big ideas to life. With more than two decades of experience across client, provider, advisory, and analyst roles, he brings a uniquely realistic and wide-ranging perspective to our industry's challenges and opportunities.

Cognizant authors

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Trish Birch leads Cognizant's Health Sciences (HC/LS) Strategy Office and is responsible for working with Cognizant's Health Sciences Leadership Team to develop and execute a multi-year strategy aimed at growing Cognizant's leading position in the industry. She has years of focused experience in strategy, business transformation, and technology and has worked with many of the largest organizations across the industry.

Trish joined Cognizant in 2010 and has more than three decades of experience, including 15 years as a C- level operations and IT executive, 15 years as a consulting managing partner at major consultancies, and 10 years as a member of the board of trustees for a large healthcare system.

Simone Rodriguez

Director of Health Sciences Strategy

Simone Rodriguez is Cognizant's Director of Health Sciences Strategy, leading strategic initiatives that drive growth and innovation in the Health Sciences business. With a proven track record of driving quantifiable value, she is passionate about collaborating with and empowering healthcare organizations to drive strategic value at the dynamic intersection of industry and technology. Key focus areas include regulatory compliance, IT modernization, cost optimization, advanced technologies, and healthcare consumer experiences. With a keen eye on emerging trends and a forward-thinking mindset, Simone is dedicated to envisioning the future of healthcare and actively contributing to progress industry change.

Bharat Kumar

Head of BD & Strategy, Americas, Gen AI Office

Bharat leads Business Development & Strategy for the Americas at Cognizant. He is a Cognizant veteran with 20 years of P&L, strategy, M&A, and special projects experience. Bharat has predominantly spent his career with healthcare clients, helping them with cost efficiency and transformation through new technology services. While he has managed multiple platinum accounts with consistent double-digit growth during his tenure, he has been responsible for the launch of multiple new service offerings for the Healthcare Business Unit, including Consumerism @ Healthcare, Patient Experience, and Mobile Transformation for Healthcare Clients.

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