DEFINITIVE HEALTHCARE
Discover opportunity

2025 Industry Pulse: Providers

An examination of rising healthcare costs and the technologies and tactics providers are using to counter them

A Definitive Healthcare report

Written by:
Alex Card, Senior Content Writer
Definitive Healthcare

Can providers counter high costs with high tech?

The U.S. healthcare system is facing 2025 with uncertainty. As political power shifts from one party to the other following the 2024 presidential election, healthcare providers must address the ongoing challenges of rising operational costs and resource limitations while preparing to navigate a regulatory environment that could change unexpectedly.

Among the most pressing factors contributing to surging costs are labor shortages, growing demand for high-dollar procedures and treatments, and an aging population with a heightened propensity for chronic conditions. Inflation, an evolving regulatory environment, and a rising interest in private healthcare also add to providers' operational challenges.

To counter these costs, healthcare providers are exploring forward-thinking solutions including artificial intelligence, virtual and hybrid care models, and alternative reimbursement models, particularly in the form of value-based care.

In this report, we'll examine the challenges providers face along with the technological and operational approaches being used to address them. Along the way, we'll discuss the current regulatory and market conditions affecting these solutions and how they might evolve in the coming years.

This report is divided into six parts:

- **Challenge 1:** Staffing shortage
- **Challenge 2:** High-dollar drugs and procedures
- **Challenge 3:** Aging patient population
- **Solution 1:** Artificial intelligence
- **Solution 2:** Virtual and hybrid care
- **Solution 3:** Value-based care

Challenge 1: Staffing shortage

Staffing has been a growing concern in U.S. healthcare for decades. The causes are varied, and include demographic shifts, national and global health conditions, and policy decisions.

Policy has had an especially outsized impact on the supply side of the staffing problem. One example is the Balanced Budget Act of 1997, which capped Medicare-funded residency slots to around 100,000 annually, limiting the growth of physician training programs. Additionally, strict visa requirements and processing delays for international medical graduates have made it harder for physicians trained overseas to work in American hospitals.

Physicians aren't the only care providers in short supply thanks to policy. According to the American Association of Colleges of Nursing (AACN), a lack of state and federal funding for nursing education has led to thousands of qualified nursing applicants being turned away from training programs due to faculty and facility limitations.

In 2023 alone, the AACN estimates that **more than 65,000 qualified applications were not accepted at U.S. nursing schools,** with an additional 10,000 applicants being rejected from graduate programs despite a growing need for nurse educators with advanced degrees.[1]

Compounding the issue of lack of new care professionals is the growing exodus from the field. While the COVID-19 pandemic didn't start this trend, **it considerably exacerbated the problem**.[2]

Overwhelming patient loads, extended hours, personal health risks, and the emotional strain related to high mortality rates contributed to widespread burnout across the industry, leading many healthcare professionals—especially older, more experienced physicians—to seek early retirements or career changes.

As covered in our 2023 staffing report, nearly one in five healthcare workers quit their jobs between 2020 and 2023.[3] To make matters worse, COVID-19 also disrupted healthcare training pipelines, slowing the entry of new providers into the depleting workforce.

Even as COVID-related restrictions have been lifted across the U.S., persistent shortages of physicians continue to impact the quality, accessibility, and cost of care.

One contributing factor worth examining is the age of the healthcare workforce. According to Definitive Healthcare data, the average age of a U.S. physician in 2023 was 53.9 years old. The median age of the U.S. workforce, by comparison, is just under 42 years old.[4]

SPECIALTIES WITH THE OLDEST AVERAGE PHYSICIAN AGE

Rank	Medical speciality	Average age	Number of providers with birth year
1	Cardiology - Cardiac Surgery	59	1,194
2	Adult Medicine	58	131
3	General Practice	58	2,102
4	Adolescent Medicine	57	1,747
5	Psychology - Clinical Neuropsychologist	57	110
6	Radiology - Nuclear Medicine	57	601
7	Addiction Medicine	57	622
8	Occupational Medicine	56	636
9	Preventive Medicine	56	557
10	Surgery - Orthopedic Surgery	56	19,330
11	Surgery - Thoracic Surgery	56	2,593

Fig. 1 Analysis of data from the Definitive Healthcare PhysicianView product for 2023. Data represents 810,000 healthcare providers with a reported birth year and is sourced from proprietary research, the NPI Registry, and Physician Compare. Only specialties with at least 100 providers reporting a birth year are included.

As Figure 1 shows, several high-demand primary care specialties are among those with the oldest providers on average: Physicians in the adult medicine, general practice, adolescent medicine, and preventive medicine disciplines are generally older than their peers in other specialties, and thus more likely to retire.

Research from other organizations reflects the staffing challenges faced by primary care providers in particular. For instance, consultants at Mercer estimate that the U.S. healthcare system will face a shortage of 100,000 critical healthcare workers by 2028. This includes a shortage of around 73,000 nurse assistants.[5]

Different states and regions will be affected differently, but primary care is expected to be among the most impacted specialties across the board.

STATES WITH THE LARGEST GAPS FOR 3 KEY OCCUPATIONS THAT DELIVER PRIMARY CARE

Rank	OB-GYNs	Pediatricians	Family medicine
1	California (-406)	California (-732)	North Carolina (-1,394)
2	Texas (-287)	Massachusetts (-512)	California (-852)
3	Virginia (-104)	Texas (-395)	Illinois (-614)
4	South Carolina (-91)	Georgia (-223)	Georgia (-223)
5	Missouri (-90)	Ohio (-148)	Michigan (-575)

Fig. 2 Market projection data from Mercer for 2028.

To make matters worse, the specialties that perform primary care tend to attract fewer med school applicants. Notably, the problem is compounded in rural areas, which have struggled to attract sufficient numbers of healthcare professionals for decades.

With no signs of slowing down, we expect the healthcare staffing shortage to drive costs across the industry in 2025, as lack of care personnel creates inefficiencies and increases labor expenses. For example, short-staffed facilities are often forced to rely on expensive temporary staffing solutions like travel nurses, locum tenens physicians, or agency hires, which can cost two to three times more than employing full-time staff.

Understaffing can also have downstream effects, such as higher overtime rates and burnout among existing employees, longer delays for patient appointments and procedures, and overcrowding in emergency departments. While an injection of talent into the staffing pool would be the most meaningful long-term solution, providers will need to leverage technology, retention strategies, and innovative care models to meet the needs of their patients and care teams in the short term.

Challenge 2: High-dollar drugs and procedures

Drug and procedure prices are often (and rightfully) discussed in terms of their burden on patients, but their impact on providers is worth attention, too. High development and approval costs, increasingly expensive medical technologies, and pharmaceutical supply shortages that push drug and procedure prices even higher present operational challenges for providers that can trickle down to patients.

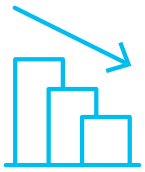
Let's quantify a couple supply-side pressures: The mean cost of drug development for the U.S. market between 2000 and 2018 was around $879.3 million, when including the cost of failures and capital costs. From 2008 to 2019, the U.S. pharmaceutical industry saw a drop of 15.6% in sales, but increased R&D intensity—the ratio of R&D spending to total sales—from 11.9% to 17.7%, according to a study published in JAMA Network Open.[6]

Pharmaceutical shortages also contribute to the issue. In 2023, the American Society of Health-System Pharmacists and the University of Utah Drug Information Service identified 309 active, ongoing drug shortages—the highest number reported in almost a decade and just shy of the all-time high of 320.[7]

Between biopharma developers' reduced return on R&D investment, shortages for hundreds of critical drugs, and increasingly restrictive insurance coverage, providers and patients are left to foot the bill. From 2014 to 2024, the cost of prescription medications has risen 37%.[8]

There have been significant disparities in prescription drug pricing between the U.S. and other developed nations for years, and the aforementioned pressures clearly aren't helping. A 2022 study by the U.S. Department of Health and Human Services revealed that U.S. prescription drug prices were nearly 2.78 times higher than the average prices in 33 other countries. This gap was even more stark for brand-name medications, with U.S. prices averaging 3.22 times those found internationally.[9]

Average and median U.S. hospital operating margins have trended downward since 2018.



A 2023 poll from the Kaiser Family Foundation found that nearly one in three Americans had avoided filling a prescription, opted for an over-the-counter alternative, or skipped doses in the last year due to rising costs.[10] Nonadherence can result in complications that lead to hospitalizations and poorer outcomes, which are not only detrimental to the patient's well-being, but also to their provider's performance metrics and bottom line.

So where does this leave providers? In short, between a rock and a hard place.

Data from our HospitalView product shows that the average and median U.S. hospital operating margins have trended downward since 2018. Although the nadir of hospitals' operating margins unsurprisingly fell at the height of COVID-19 in 2020, margins were nearly as bad in 2022, according to the most recently published Medicare Cost Report data.[11] Furthermore, a 2024 report from Fitch Ratings suggests that nonprofit hospitals might never see a return to the traditional operating margins of 3%.[12]

With such limited operating margins, many hospitals and other providers face several conundrums when it comes to high-cost drugs and procedures: Do they opt to bear the upfront costs for stocking pricey medications and technologies, knowing insurers may not provide full reimbursement? Do they prescribe high-cost treatments to patients who may not be able to afford them and risk the negative outcomes associated with nonadherence? Or do they elect less effective or older therapies to cut costs but potentially compromise care quality?

AVERAGE AND MEDIAN HOSPITAL OPERATING MARGINS

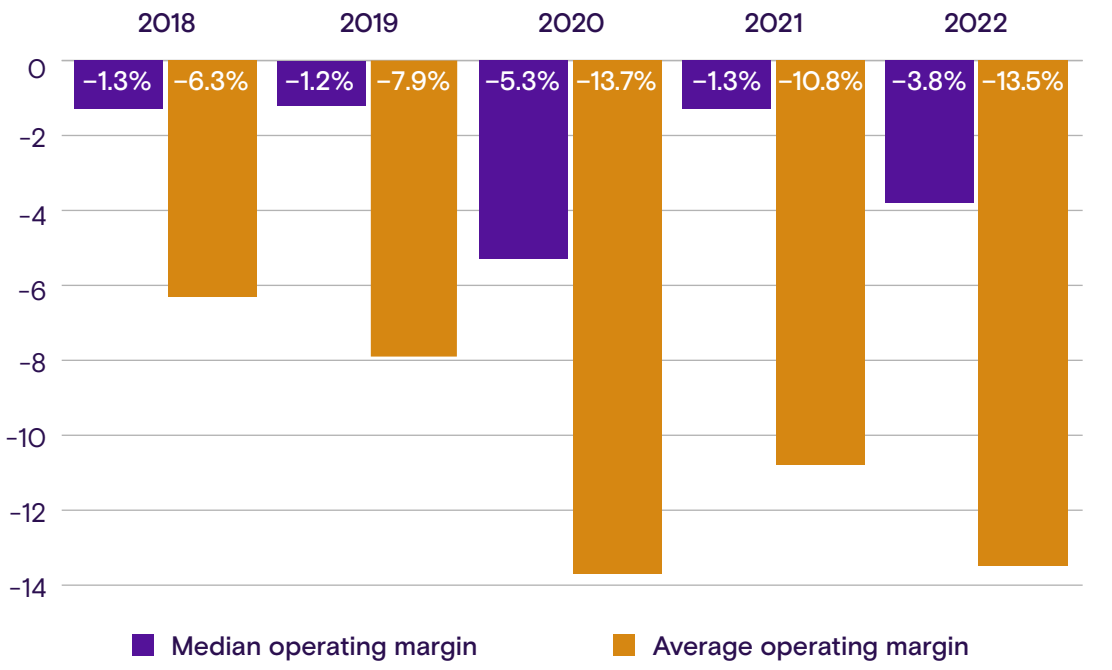


Fig. 3 Analysis of data from the Definitive Healthcare HospitalView product. Hospital operating margin data is sourced from the Medicare Cost Report for October 2023.

To combat costs, many patients are turning to industry disruptors like GoodRx, Hims/Hers, and Amazon, all of which sell drugs directly to consumers at a discount. On its face, increased access to medication seems like a good thing to everyone involved, but these direct-to-consumer companies present some complications to providers.

For one, D2C companies often use their own in-house telehealth physicians or run prescription services through a third party, making it harder for patients' current providers to perform medication reconciliation and coordinate care. Some of these companies promote specific generics based on pricing agreements, which could conflict with providers' judgment about patients' specific needs.

Unfortunately, neither patients nor providers can wait around for systemic reforms or policy changes around price transparency and reimbursement. In the meantime, however, providers can leverage technology to identify more cost-effective options at the point of care, promote preventive care and hybrid care measures that reduce the need for high-dollar treatments, and advocate for value-based procurement that aligns treatment investments with the greatest patient benefit.

Challenge 3: Aging patient population

Providers aren't the only ones getting older. The American population aged 65 and older is growing faster than ever before, due to the sheer size of the "Baby Boomer" generation born between 1946 and 1964.

According to the U.S. Census Bureau's 2023 National Population Projections, the number of senior Americans is projected to grow from 58 million in 2022 to 82 million by 2050. That's a 47% increase that would bring the 65-and-older demographic up from 17% to 23% of the population.[13]

This demographic shift creates new practical challenges for providers while also driving healthcare costs ever higher.

Older adults tend to require healthcare services more often than their younger peers, especially in the form of hospital stays, outpatient visits, and home care. They're also more likely to require routine diagnostic testing and monitoring as well as specialist consultations, which contributes to resource and labor strain on providers' parts and pushes up overall spending.

Only about 19% of healthcare is paid out of pocket by people in the 65+ category, and although around 46% make some use of supplemental private insurance, nearly 94% of seniors are enrolled in a public option like Medicare, Medicaid, or the Department of Veterans Affairs.[14] That means a considerable amount of the financial burden of care for the elderly falls to government programs—and, in part, to providers themselves, who are reimbursed by Medicare and Medicaid at rates between 25% to 60% less than private insurance.[15]

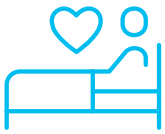
The Baby Boomer generation brings its own particular challenges that previous senior populations didn't have to contend with. For one, the prevalence of obesity among 65-and-older adults nearly doubled between 1988 and 2018, rising from 22% to 40%.[16].

Obesity is known to increase the risk of chronic conditions like heart disease, type 2 diabetes, and certain breathing disorders, as well as stroke, certain cancers, and mental illness. These conditions need to be managed with ongoing and occasionally complex or emergent care—and, unfortunately, it's not cheap. The CDC estimated obesity-related medical care costs were around $173 billion in 2019.[17]

Chronic disease, in general, is becoming more common in the U.S., and while obesity likely has something to do with the trend, it's not the entire story. Regardless of other factors, these conditions disproportionately affect older adults: Almost 95% of seniors have at least one chronic condition, and about 80% have two or more, according to a study from the National Council on Aging.[18]

Caring for people with chronic conditions accounts for a whopping 90% of the $4.5 trillion we spend each year on healthcare.[19] As seniors become a larger portion of the population, we can expect this spending to rise.

On average, healthcare spending in the last year of a person's life amounts to around $80,000.



Whether due to chronic disease, disability, or illness at the end of life, adults over 65 are also more likely to utilize long-term and palliative care services. Many of these services are provided in specialized facilities like nursing homes, assisted living facilities, and hospice facilities, while others are delivered via home care.

On average, healthcare spending in the last year of a person's life amounts to around $80,000.[20] For patients receiving care in the hospital, most of these services are covered by Medicare—a clear relief for the patient and their family, but a potential pressure on providers due to the program's diminished reimbursement rates compared to private payors.

Patients who require or elect to receive care in long-term care facilities (LTC), nursing homes, or at home face considerably higher expenses. Somewhere between 28% and 38% of care costs in an LTC facility or nursing home is paid out of pocket. When a patient dies without paying their debt, the provider foots the bill, amounting to roughly 3% of all end-of-life care costs.[21]

Between the Baby Boomer population's unique health challenges and their growing need for complex, ongoing care—as well as their sheer numbers—the costs and hurdles of an increasingly aging patient population will only grow for providers in the years and decades to come.

Solution 1: Artificial Intelligence (AI)

Artificial intelligence (AI) has found its way into nearly every industry—as well as into consumers' pockets—with massive transformative potential. In healthcare and elsewhere, it's driving cost efficiencies, automating complex tasks, uncovering actionable insights from data, and enabling faster decision-making.

The global AI healthcare market, currently valued around $16 billion, is projected to grow at 40% CAGR to reach $173 billion by 2029.[22] This rapid growth highlights the thorough adoption of AI—and its immense opportunity—among healthcare providers.

For providers, AI's potential to lower operational expenses, maximize productivity, and improve care outcomes is hard to ignore. AI-powered imaging software and electronic health records (EHRs) are empowering physicians to make more accurate diagnoses, develop personalized treatment plans, and streamline workflows—all of which help to reduce waste, save time, and cut costs.

> Our 2023 survey of providers showed that ~38% were actively employing AI/ML, and 40% had plans to employ it within 2 years.

Just how much cost-savings could AI generate? A paper published by the National Bureau of Economic Research suggests wider AI adoption could lead to a savings of 5%-10% in U.S. healthcare spending alone.[23]

Interestingly, our 2023 survey of healthcare providers found that only around 38% were actively employing AI or machine learning technology, and only 40% had plans to use it by 2025, indicating meaningful adoption, but still plenty of room to grow.[24]

More than half of the respondents in that survey said they were using AI to improve operational processes or workflows. Let's take a look at some specific ways we expect providers to leverage AI in 2025 and beyond.

Mining unstructured data

Healthcare generates an immense amount of data, around 30% of the world's data volume according to estimates from RBC Capital Markets. Unstructured data—such as medical images, clinical notes, and lab reports—comprises about 80% of that volume. This data can hold critical insights, but the manual analysis required to access those insights can be time-consuming and resource-intensive.

AI tools simplify this process, helping providers untangle vast datasets to recognize patterns and trends that drive earlier, more accurate disease detection. For example, AI can analyze historical data to identify high-risk patients and **predict medication outcomes**. The technology can also help radiologists detect anomalies in MRIs or CT scans faster and with greater accuracy.

Because providers' data needs vary based on their size, patient population, and service lines, most organizations gravitate toward customizable platforms. Configurable front-end interfaces and back-end data flows ensure unique use cases can be easily addressed.

Not only do these capabilities help providers save money on labor time; they also reduce diagnostic errors and enable earlier interventions, which can ultimately lower treatment costs.

Enhancing remote patient monitoring capabilities

Remote patient monitoring is on the rise, with some of the **top related procedures growing nearly 1,300% between 2019 and the end of 2022**.[25] The technology is making it easier for providers to capture and process patients' physiologic data outside of traditional healthcare settings.

Remote patient monitoring benefits patients by granting flexibility and transparency around their care, while helping doctors reduce readmissions and cut costs. When paired with AI, the technology is even more potent.

AI-enabled remote patient monitoring can track and analyze trends in vital signs, assess symptoms, and transform collected data into personalized insights, giving providers and patients a clearer understanding of chronic conditions and overall health status. AI can also alert patients and their physicians to potential health risks before they escalate, supporting preventive measures and, when necessary, faster emergency interventions.

Keeping patients and doctors fully aware of an evolving medical condition can reduce the need for costly emergent care and hospital readmissions. When employed on a larger scale, AI-enabled remote patient monitoring can make managing entire patient populations more effective and less expensive.

One example of an older healthcare monitoring technology being improved with AI is the **telehealth kiosk**, often deployed by providers in convenient places like malls, pharmacies, and even inside office spaces. AI-enabled diagnostic tools inside these kiosks give users access to services like blood work, vital sign monitoring, and triaging. For providers, these kiosks can help generate revenue by directing appropriate patients to their traditional facilities or telehealth services for additional care.

With the right data, AI can also be used to identify patients most likely to benefit from remote patient monitoring. Many providers screen for social determinants of health, demographics, and lifestyle data upon patient intake. When processed by AI-powered analytics, this data can reveal patients at higher risk of chronic illness—and who would thus benefit from ongoing monitoring.

Optimizing the medical supply chain

The COVID-19 pandemic exposed major vulnerabilities in the medical supply chain, prompting providers—along with manufacturers, suppliers, and distributors—to turn to technologies like AI and blockchain to improve efficiencies and reduce the risk of resource shortages.

Predictive analytics powered by AI are of particular interest to providers, who are using the technology to derive projected market forecasts from historical data, patient demand trends, and external factors like seasonal health patterns or global crises. Using this data, the AI then delivers insights that allow providers to anticipate demand, reduce waste, and avoid stockouts of critical medications and supplies.

When paired with blockchain's decentralized digital ledger, AI gives providers even greater transparency into their supply chains, allowing them to verify the origin, authenticity, and condition of every product and transaction, and intervene or identify alternative sources when supplies go missing or become damaged.

Ultimately, these improvements enhance providers' operational efficiencies, reduce overstocking costs, and ensure essential items are on hand when needed, producing significant cost savings for health systems and care facilities.

Solution 2: Virtual and hybrid care

One of the "new normals" brought about by COVID-19 was the rapid adoption of virtual care, or telehealth, as a form of primary care. During the pandemic, telehealth gave patients access to low-acuity care services from the security of their homes and helped providers optimize the utilization of their workforces.

At the height of the pandemic, **telehealth utilization averaged above 30% across specialties**. While it accounts for closer to 6% of care encounters today, that's still far above the <1% it represented pre-pandemic, indicating that virtual care is here to stay as part of a new, more streamlined hybrid care model.[26]

That's good news for providers, as telehealth continues to serve as a counterweight to rising costs by increasing efficiencies, improving access to care (and thus reimbursement opportunities), and reducing unnecessary expenses.

Enhancing workforce efficiencies

By employing telehealth and other "digital front door" strategies, providers can make the most of their limited labor resources. Virtual care allows patients to circumvent interactions with administrative staff and skip the check-in procedures typically performed by a nurse while waiting for the doctor, nurse practitioner, or physician assistant. This helps providers care for more patients without hiring additional staff.

A hybrid care model also introduces flexibility to providers' work, potentially enabling some care personnel to work from home or while traveling to satellite offices and other facilities. Not only does this maximize providers' efficiency; it also could reduce burnout associated with repetitive visits or high-demand caseloads—and thus help keep valuable staff in place.

The hybrid approach isn't right for every service line or patient. Facility and network administrators can target hybrid care investments by analyzing diagnosis, procedure, and EHR data to quantify service line performance and identify the most qualified patient cohorts.

Improving access to care

In a world connected by fiber optics and satellite links, virtual care can take place just about anywhere. Telehealth eliminates geographic barriers to care and drastically reduces the time necessary for travel, intake, and the care encounter itself.

This enables primary care providers to reach mobility-challenged patients (see the section on our aging patient population) as well as rural and other underserved populations who might otherwise delay or forgo care, creating new avenues for reimbursement while potentially preventing the higher costs associated with deferred treatment and more acute care needs.

Virtual care can also help connect patients with specialists in high demand, whose packed schedules and multi-facility residencies can make them quite difficult to reach. These specialists can save costs associated with travel by incorporating virtual consultations into their practices.

PERCENTAGE OF HOSPITALS OFFERING TELEHEALTH SERVICES BY STATE

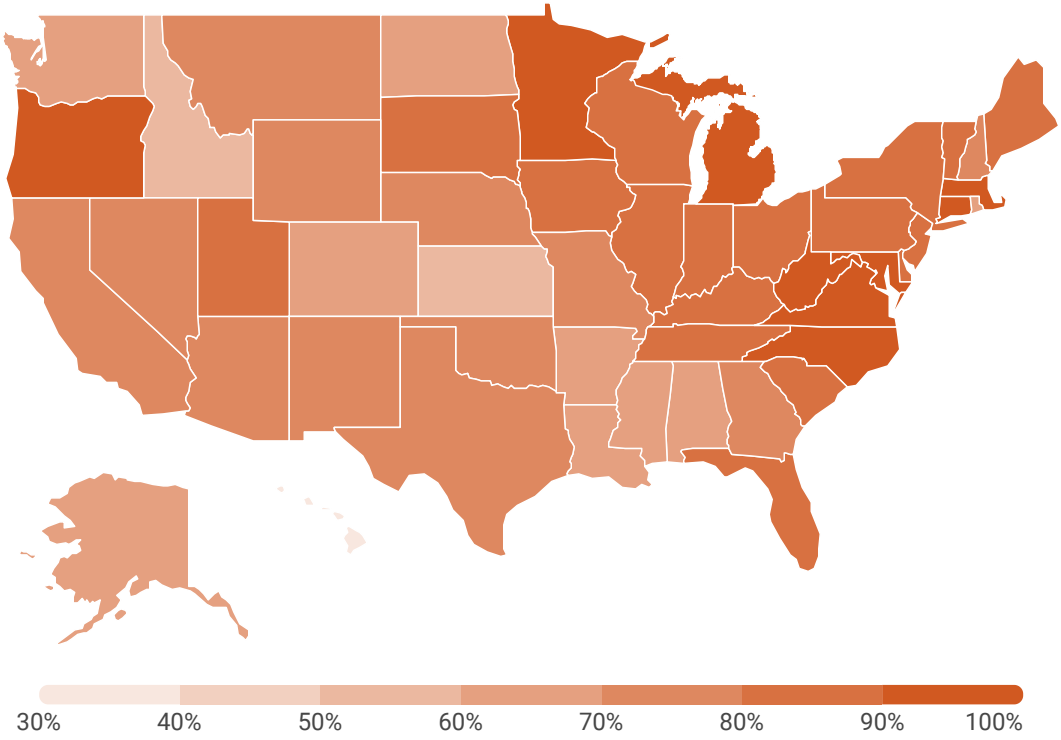


Fig. 4 Analysis of data from the Definitive Healthcare HospitalView product. Telehealth utilization data is sourced from proprietary research and the Medicare Cost Report for October 2023.

Interestingly, some of the least densely populated states in the country—Alaska, Wyoming, Montana, North Dakota, New Mexico, Idaho, Nebraska, Nevada, and Kansas—are among the bottom half of states by telehealth adoption, indicating there's plenty of room for providers to take initiative and expand access to care with a hybrid approach.

Data that identifies the kind of care patients are actively seeking—like diagnosis and procedure claims data—can be combined with lifestyle insights like patients' access to transportation and average distance to the nearest facility to highlight the most lucrative opportunities for hybrid care.

Reducing unnecessary expenses

Virtual care eliminates the need for physician space for certain types of care, allowing providers to reduce costs associated with renting, maintaining, and staffing facilities. Administrative processes like patient intake and billing can also be streamlined or automated in a virtual care setting.

The benefits of hybrid care are especially clear for specialties that don't require specialized medical equipment, such as those under the behavioral health umbrella. With services like BetterHelp and Talkspace already offering 100% virtual mental healthcare, it's not hard to imagine independent specialists—or even entire care groups—going virtual to save on overhead costs. (Plus, the lack of intimacy of a virtual consultation can actually be a benefit for some patients with anxiety or sensory disorders.)

Our data shows that social workers, psychologists, and psychiatrists are all among the top four users of telehealth, with primary care providers making up most of the rest of the top 10.

TOP TELEHEALTH UTILIZATION BY SPECIALTY

Rank	Primary Speciality	Number of providers
1	Social Worker - Licensed Clinical Social Worker	27,165
2	Nurse - Nurse Practitioner	15,057
3	Psychology - Clinical Psychologist	12,540
4	Psychiatry	8,495
5	Physician Assistant	3,204
6	Family Practice	3,135
7	Internal Medicine	2,475
8	Dietitian/Nutrition Professional	1,907
9	Pediatric Medicine	1,143
10	Therapy - Speech Language Pathologist	943

Fig. 5 Analysis of data from the Definitive Healthcare PhysicianView product. Telehealth utilization data is sourced from proprietary research and the Medicare Cost Report for October 2023.

As with remote patient monitoring (a tool often employed as part of a virtual or hybrid care model), telehealth makes it easier to track patients' conditions and ensure adherence to treatment plans, reducing the need for costly acute care services and hospital readmissions, as well as the associated penalties for providers.

Some post-operative patients are even able to recover at home under virtual supervision rather than in a hospital, saving money for all parties involved.

Telehealth is undoubtedly a valuable tool for providers looking to deliver high-quality care at lower costs—a key component of the value-based care model that the U.S. continues to shift toward.

Solution 3: Value-based care

Unlike AI and virtual/hybrid care, value-based care (VBC) isn't a distinct technology or modality that a provider might choose to leverage to combat rising costs. Rather, VBC is a systemically reimagined approach to healthcare. It's a complex, integrated delivery model that brings providers, payors, and patients together to improve the quality and experience of care while reducing associated costs.

By participating in the Centers for Medicare and Medicaid Services' value-based programs, providers are rewarded for the quality of care they give rather than the quantity of services they perform. Participating providers are incentivized to coordinate care so that, for example, a patient who requires a blood panel while seeing several doctors only receives the panel once, saving both the patient and provider(s) from unnecessary expenses associated with repeat visits and tests.

Generally speaking, VBC ties reimbursement rates to performance, outcomes, and patient experiences. Negative outcomes like rehospitalizations, hospital-acquired infections, and long lengths of stay, for instance, can result in a provider being penalized.

While utilization rate estimates vary, one 2018 study found that only 45% of U.S. physicians received any reimbursements for VBC services. Another study suggests that between 2017 and 2022, **66% to 91% of physician practices participated in at least one of CMS' VBC programs**.[27]

The transition from traditional fee-for-service to VBC has been slow-going, perhaps in part because some providers are hesitant to adopt and adjust their practices to reimbursement models that require additional infrastructure investment and may expose them to downside risk. In some cases, providers might simply not understand how they and their patients benefit from VBC. However, the potential positive impact on patients, payors, and providers themselves is too great to overlook—especially as care becomes increasingly expensive to provide.

Better patient outcomes

VBC programs emphasize holistic, preventive care and early interventions to manage health concerns before they become severe and costly, reducing the need for expensive—and often traumatic—emergency care and hospitalizations. By promoting care coordination and communication between providers, VBC also ensures patients get the right care at the right time, helping to eliminate redundant tests, errors, and unneeded treatments—all cost drivers.

More personalized care

Patients are increasingly seeking care that fits into their specific lifestyles and recognizes them as unique individuals. VBC models reward providers for doing just that: Personalizing care to the patient, focusing on their health goals, and connecting them with resources outside of the care continuum (such as social services, food banks, and support groups for certain conditions). In turn, this encourages patients to stick with a provider for life, knowing that all their needs can be met within the confines of their care network.

Healthier lifestyles

The VBC approach also recognizes that better health outcomes also require lifestyle changes in addition to traditional medical interventions. VBC incentivizes providers to act as patients' partners in their health journey, even when that partnership is better served by guidance and encouragement rather than hands-on care modalities.

Under VBC, providers can be reimbursed for helping patients make modifiable lifestyle changes around factors like diet, exercise, and stress management. Supporting patients through positive adjustments in these areas can improve their overall health, reduce the risk of hospitalization, and cut off potential complications before they arise. These sorts of lifestyle adjustments that can be addressed at home and keep patients out of the hospital are especially valuable at a time when staffing resources are already stretched thin.

Risk mitigation and cost containment

Under certain VBC models, payors and providers participate in risk-sharing agreements, giving providers a financial stake in the outcomes of specific patient populations. VBC models also encourage providers to use time, staff, and resources efficiently, ideally resulting in lower costs and reduced waste—although critics point out that the substantial investments required to coordinate care and track performance metrics can offset or altogether eliminate these savings, especially in the short-term.

What's ahead for VBC?

In 2025, we expect more providers to adopt VBC models as support structures and incentives grow. In Colorado, for instance, **a law will go into effect that requires private payors to incorporate certain VBC parameters** like transparent risk adjustment into their payment models.[28] Some private payors like UnitedHealthcare,

Blue Cross Blue Shield, and Humana have already implemented VBC payment models on their own. And with 80% of physicians expressing interest in VBC, other payors will likely follow their lead.[29]

Furthermore, we anticipate an increased focus on data integration, especially around social determinants of health, among both CMS and private VBC programs. As the healthcare ecosystem becomes ever richer with data, VBC administrators will see new opportunities for more accurate risk analysis, care personalization, and greater resource efficiency.

However, CMS and other payors interested in promoting VBC programs will need to demonstrate to providers that the costs of participating in their programs—for infrastructure, staffing, etc.—are outweighed by potential savings and reimbursement opportunities. In such a competitive market environment, providers are keen to avoid downside risks associated with missed quality and cost targets.

Get ahead in 2025 with healthcare commercial intelligence

Shifting demographics, economic pressures, and an ever-changing regulatory landscape make the U.S. healthcare system a challenging space to operate in. Providers must confront a perfect storm of cost-related challenges, including labor shortages, an aging population, and increased demand for expensive care—and that's to say nothing of inflation.

Despite these hurdles, there's hope yet for the year ahead. From leveraging artificial intelligence to adopting virtual and hybrid care models and embracing value-based care reimbursement, healthcare providers can pave the way for more sustainable and effective operations. However, the success of these strategies depends on their ability to adapt to change.

With the right data and analytics, providers can gain powerful insights that enable them to keep ahead of evolving market conditions and seize opportunities to reduce costs, maximize their investments, and operate more efficiently. Definitive Healthcare's commercial intelligence platform pairs data from across the U.S. healthcare system with powerful, intuitive analytical tools and insights from a team of experts, making it easier to get ahead and stay ahead, for whatever 2025 has in store.

ENDNOTES

1. McElroy, Amy. "New AACN Data Points to Enrollment Challenges Facing U.S. Schools of Nursing." AACN, April 25, 2024. https://www.aacnnursing.org/news-data/all-news/new-aacn-data-points-to-enrollment-challenges-facing-us-schools-of-nursing.
2. Brancaccio, David, and Jarrett Dang. "What Do Nurses Have to Say about the Nursing Shortage?" Marketplace, May 16, 2022. https://www.marketplace.org/2022/05/16/what-do-nurses-have-to-say-about-the-nursing-shortage/.
3. Popowitz, Ethan. "Addressing the Healthcare Staffing Shortage." Definitive Healthcare, September 2023. https://www.definitivehc.com/resources/research/healthcare-staffing-shortage.
4. Definitive Healthcare. "Average Age of Doctors and Providers by Medical Specialty." Definitive Healthcare, November 2023. https://www.definitivehc.com/resources/healthcare-insights/average-provider-age-medical-specialty.
5. "5 Health Care Workforce Shortage Takeaways for 2028: AHA." American Hospital Association, n.d. https://www.aha.org/aha-center-health-innovation-market-scan/2024-09-10-5-health-care-workforce-shortage-takeaways-2028.
6. Sertkaya, Aylin, Trinidad Beleche, and Amber Jessup. "Costs of Drug Development and Research and Development Intensity in the US, 2000-2018 ." JAMA Network Open, June 28, 2024. https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2820562.
7. "Severity and Impact of Current Drug Shortages." ASHP, 2023.
8. "Out-of-Pocket Prescription Drug Cost Tracker." GoodRx. Accessed December 2024. https://www.goodrx.com/out-of-pocket-costs.
9. "Comparing Prescription Drugs in the U.S. and Other Countries: Prices and Availability." ASPE, January 31, 2024. https://aspe.hhs.gov/reports/comparing-prescription-drugs.
10. Sparks, Grace, Ashley Kirzinger, Alex Montero, Isabelle Valdes, and Liz Hamel. "Public Opinion on Prescription Drugs and Their Prices." Kaiser Family Foundation, October 4, 2024. https://www.kff.org/health-costs/poll-finding/public-opinion-on-prescription-drugs-and-their-prices/.
11. "A Look at Hospital Operating Margins in the United States." Definitive Healthcare, March 18, 2024. https://www.definitivehc.com/resources/healthcare-insights/hospital-operating-margins-united-states.
12. "Operating Margins Reset a Potential 'Pain Point' for U.S. NFP Hospitals." Fitch Ratings: Credit Ratings & Analysis for Financial Markets, January 29, 2024. https://www.fitchratings.com/research/us-public-finance/operating-margins-reset-potential-pain-point-for-us-nfp-hospitals-29-01-2024.
13. "2023 National Population Projections Tables: Main Series." Census.gov, October 31, 2023. https://www.census.gov/data/tables/2023/demo/popproj/2023-summary-tables.html.
14. De Nardi, Mariachristina, Eric French, and John Bailey Jones. "Medicaid Insurance in Old Age." The American Economic Review, November 2016. https://pubmed.ncbi.nlm.nih.gov/29553207/.
15. Lopez, Eric, Tricia Neuman, Gretchen Jacobson, and Larry Levitt. "How Much More than Medicare Do Private Insurers Pay? A Review of the Literature." Kaiser Family Foundation, April 15, 2020. https://www.kff.org/medicare/issue-brief/how-much-more-than-medicare-do-private-insurers-pay-a-review-of-the-literature/.
16. Fryar, Cheryl, and Margaret Carroll. "Prevalence of Overweight, Obesity, and Extreme Obesity among Adults Aged 20 and over: United States, 1960–1962 through 2017–2018." CDC National Center for Health Statistics, February 8, 2021. https://www.cdc.gov/nchs/data/hestat/obesity-adult-17-18/obesity-adult.htm.
17. "Consequences of Obesity." CDC Overweight & Obesity, July 15, 2022. https://www.cdc.gov/obesity/basics/consequences.html.
18. "Aging in America: Get the Facts on Healthy Aging." National Council on Aging, August 16, 2024. https://www.ncoa.org/article/get-the-facts-on-healthy-aging/.
19. "Fast Facts: Health and Economic Costs of Chronic Conditions." Centers for Disease Control and Prevention. Accessed December 2024. https://www.cdc.gov/chronic-disease/data-research/facts-stats/index.html.

20. Arapakis, Karolos, Eric French, John Jones, and Jeremy McCauley. "How Should We Fund End-of-Life Care in the US?" The Lancet Regional Health – Americas, November 2022. https://www.thelancet.com/journals/lanam/article/PIIS2667-193X(22)00176-4/fulltext.

21. Munnell, Alicia. "Opinion: Who Pays for Long-Term Care? A Shocking Number of People Get This Wrong." MarketWatch, May 22, 2024. https://www.marketwatch.com/story/who-pays-for-long-term-care-7bb36155.

22. "Artificial Intelligence in Healthcare: Market Size, Growth, and Trends." Binariks, August 15, 2024. https://binariks.com/blog/artificial-intelligence-ai-healthcare-market/.

23. Sahni, Nikhil R., George Stein, Rodney Zemmel, and David Cutler. "The Potential Impact of Artificial Intelligence on Health Care Spending." National Bureau of Economic Research, March 23, 2024. https://www.nber.org/books-and-chapters/economics-artificial-intelligence-health-care-challenges/potential-impact-artificial-intelligence-health-care-spending.

24. "Ai in Healthcare Study." Definitive Healthcare, September 2023. https://www.definitivehc.com/resources/research/ai-healthcare-study.

25. Card, Alex, Todd Bellemare, and Rachel Kolbin-Gupp. "Realizing the Potential of Remote Patient Monitoring." Definitive Healthcare, February 2023. https://www.definitivehc.com/resources/research/remote-patient-monitoring.

26. Bartelt, Kersten, Alex Piff, Steve Allen, and Eric Barkley. "Telehealth Utilization Higher Than Pre-Pandemic Levels, but Down from Pandemic Highs." Epic Research, November 21, 2023. https://www.epicresearch.org/articles/telehealth-utilization-higher-than-pre-pandemic-levels-but-down-from-pandemic-highs.

27. Winberg, Debra, and Matthew Baker. "Who Participates in Value-Based Care Models? Physician Characteristics and Implications for Value-Based Care." Health Affairs Scholar, July 16, 2024. https://academic.oup.com/healthaffairsscholar/article/2/8/qxae087/7714277.

28. "Primary Care Alternative Payment Models." Colorado General Assembly, May 10, 2022. https://leg.colorado.gov/bills/hb22-1325.

29. Ney, Erin, Michael Brookshire, and Joshua Weisbrod. "What Will It Take for Physicians to Adopt Value-Based Care?" Bain & Company, November 14, 2022. https://www.bain.com/insights/what-will-it-take-for-physicians-adopt-value-based-care-snap-chart/.

About Definitive Healthcare

At Definitive Healthcare, our mission is to transform data, analytics, and expertise into healthcare commercial intelligence. We help clients uncover the right markets, opportunities, and people, so they can shape tomorrow's healthcare industry. Our SaaS products and solutions create the path to commercial success in the healthcare market, so companies can identify where to go next.

For more information, visit definitivehc.com.

Interested in discovering how we can help grow your business? Start a free trial or contact your Definitive Healthcare sales executive to learn more.

DEFINITIVE HEALTHCARE