

State of the healthcare industry 2026

Vizient's perspective on the state of the healthcare industry in 2026 can be summarized by five key findings

1

The U.S. healthcare system is under structural pressure: higher costs, rising complexity and persistent quality challenges.

2

Financial sustainability is likely to be challenged as demographic, policy and innovation headwinds accelerate.

3

Cost pressures are evolving, not easing. Workforce shortages persist as drug, device and supply costs surge.

4

Market behavior is evolving from large-scale M&A to include strategic, vertical and ecosystem partnerships.

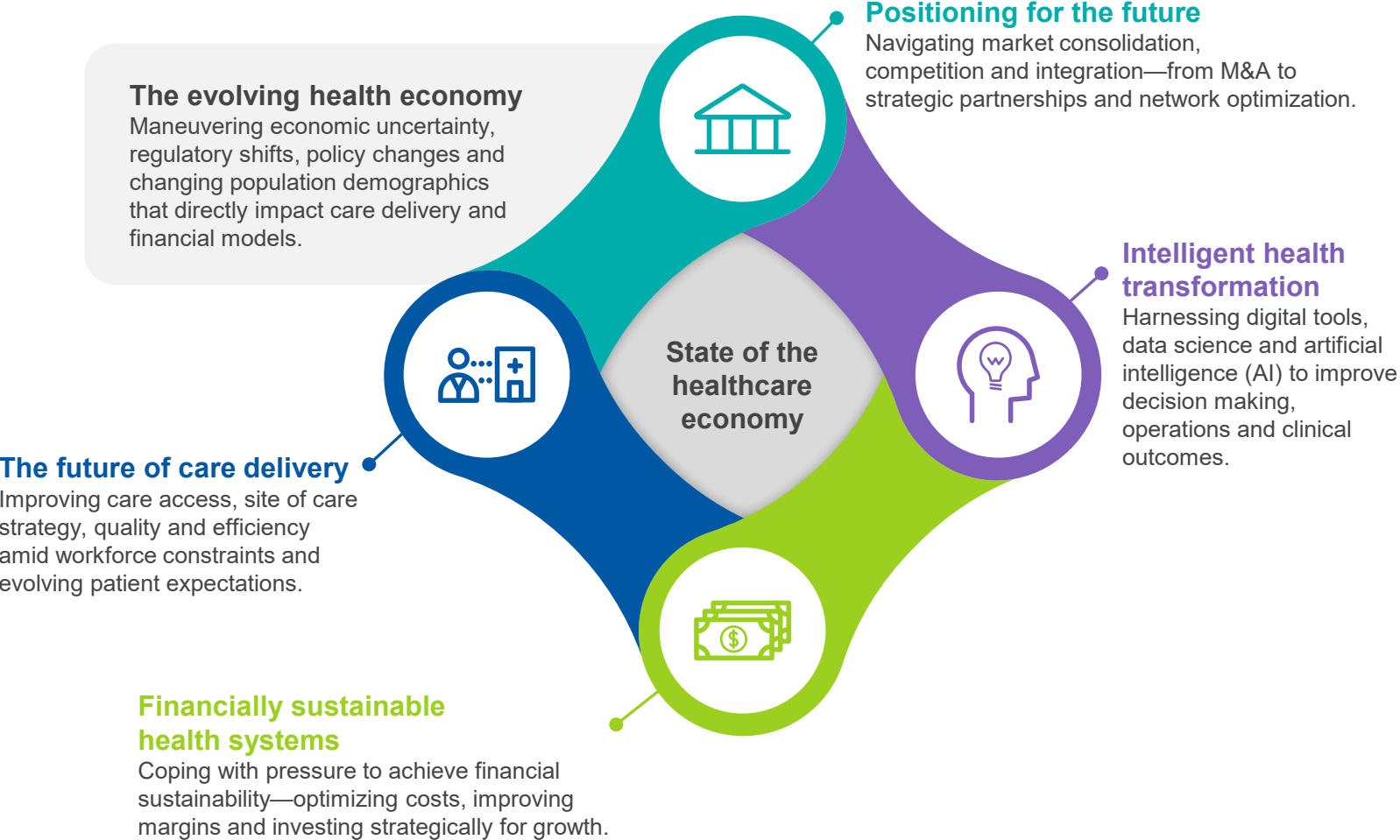
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AI offers real potential to reduce waste and transform operations.

The Vizient 2026 state of the healthcare industry: methodology and framework

Our analysis synthesizes national economic indicators, federal and state policy developments, demographic and utilization forecasts, clinical and operational performance insights, and trends across payer, provider, employer and supplier markets. The assessment draws from Vizient analytics and subject-matter expertise, internal and external data sources, peer-reviewed research and proprietary industry intelligence.

Our analysis is organized according to **five major market forces** that collectively define the pressures and opportunities shaping healthcare in 2026. Together, these forces form the analytical model that guided our assessment of the healthcare landscape and informed the insights presented throughout this report.





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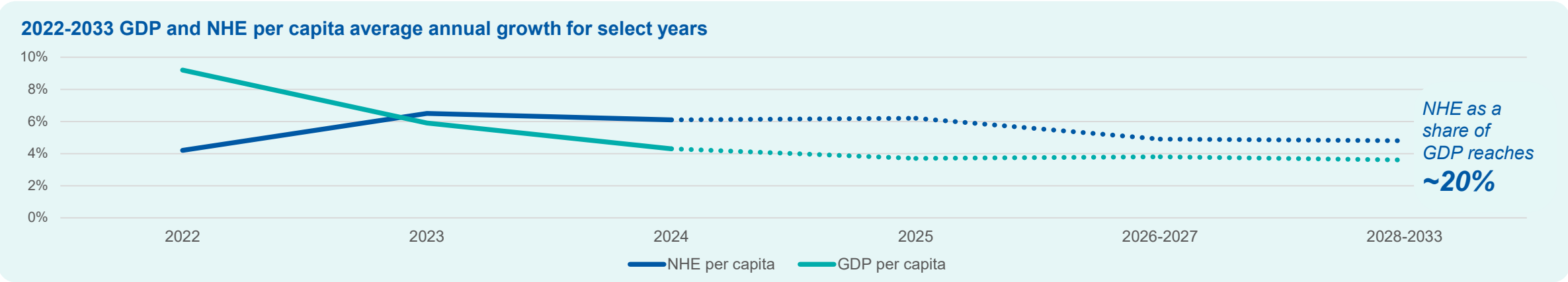
1. The U.S. healthcare system is under structural pressure: higher costs, rising complexity and persistent quality challenges.

The U.S. healthcare system is confronting a growing set of structural pressures that are reshaping demand, cost trajectories and care delivery models. Utilization has surged, driven by aging populations, rising chronic disease and increasing acuity, driving expenditure growth above GDP without proportional improvements in outcomes. At the same time, inflation, high capital costs, workforce participation constraints and widespread clinical shortages continue to limit system capacity and erode operating margins.

Innovation in therapeutics and diagnostics adds value but introduces new cost and workflow complexity, while care delivery transformation—virtual, hybrid, home-based and team-based—remains uneven due to staffing and infrastructure challenges. These dynamics unfold amid declining consumer trust, growing affordability concerns and heightened expectations for convenience and experience. Together, these forces underscore the need for sustained transformation and more scalable, resilient, consumer-centered operating models.

The system is absorbing more, delivering marginally more and paying far more.

A utilization surge is accelerating healthcare cost growth beyond GDP while quality and access continue to lag



Health spending is expected to continue **growing faster than GDP** (at least) through 2033 but will **moderate**, driven by a decrease in the share of the population with health insurance* and by an anticipated slowdown in utilization growth

U.S. rank in health outcomes out of 14 wealthy countries

Life expectancy	Worst	Infant mortality	Worst
Safety during childbirth	Worst	Unmanaged diabetes	Worst
Heart attack mortality	#11	Unmanaged asthma	#8

U.S. primary care shortages continue to threaten access and outcomes

	physicians/ per 1,000 people in U.S.	ratio of PCPs to specialists
United States	2.67	1: 3.5
Comparable average	3.78	1: 1.4

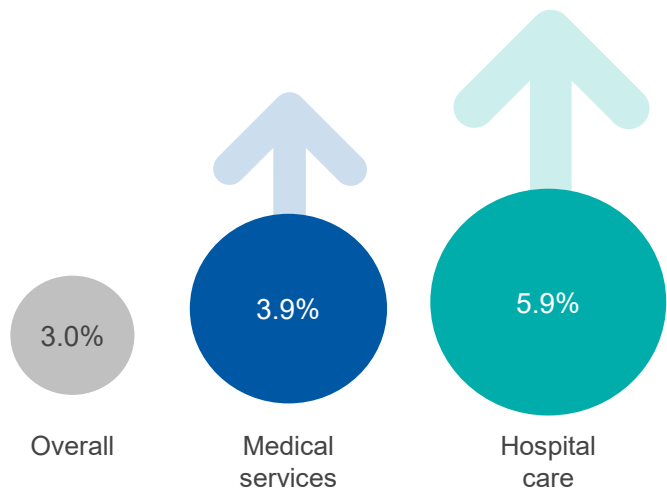
~25% of total U.S. health spending is estimated to be wasteful

*Note: Projections do not account for implications of the One Big Beautiful Bill. Abbreviations: GDP= gross domestic product; NHE= national health expenditure; PCP= primary care provider. Source: <https://www.healthaffairs.org/doi/full/10.1377/hlthaff.2025.00545>; <https://www.pgpf.org/article/almost-25-percent-of-healthcare-spending-is-considered-wasteful-heres-why>, https://www.oecd.org/en/publications/2025/11/health-at-a-glance-2025_a894f72e.html , Vizient analysis, 2025

Consumer costs, unemployment and elevated interest rates combine to show macroeconomic resilience and fragility

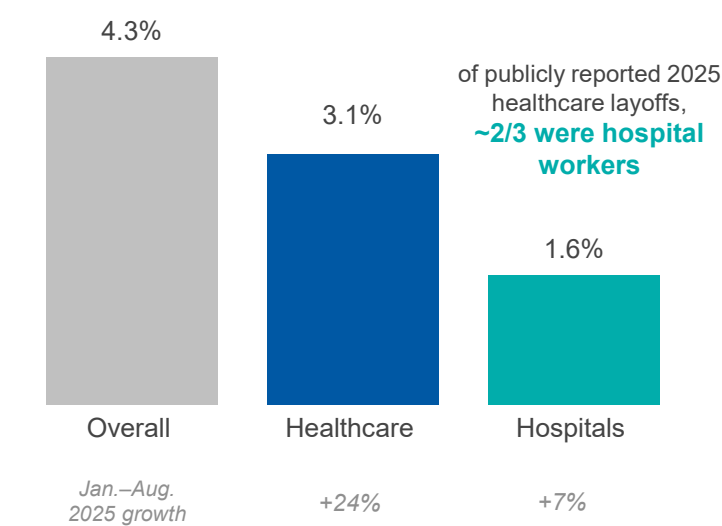
The overall economy is in a state of “good but cooling” while healthcare expenditures have accelerated.

Inflation rates, 2025



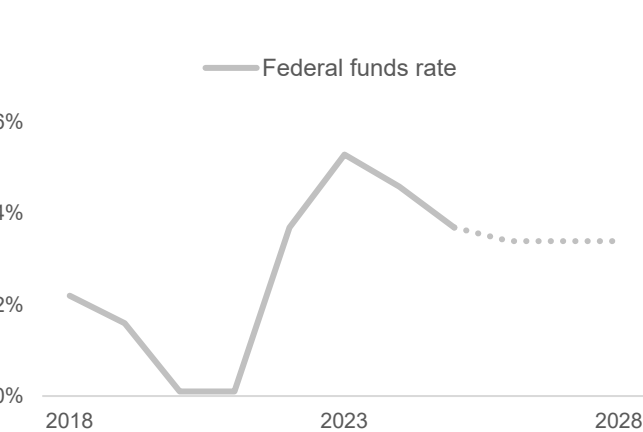
CPI overall is relatively stable while **medical care is increasing**, surpassing overall in 2024 for the first time since the pandemic; hospital care outpacing both.

Unemployment rates, 2025



Though hospital unemployment is at a record low, both **hospital and health services unemployment edged up slightly in 2025**. Indicators point to reductions in force, many citing forthcoming headwinds.

Interest rates, 2025



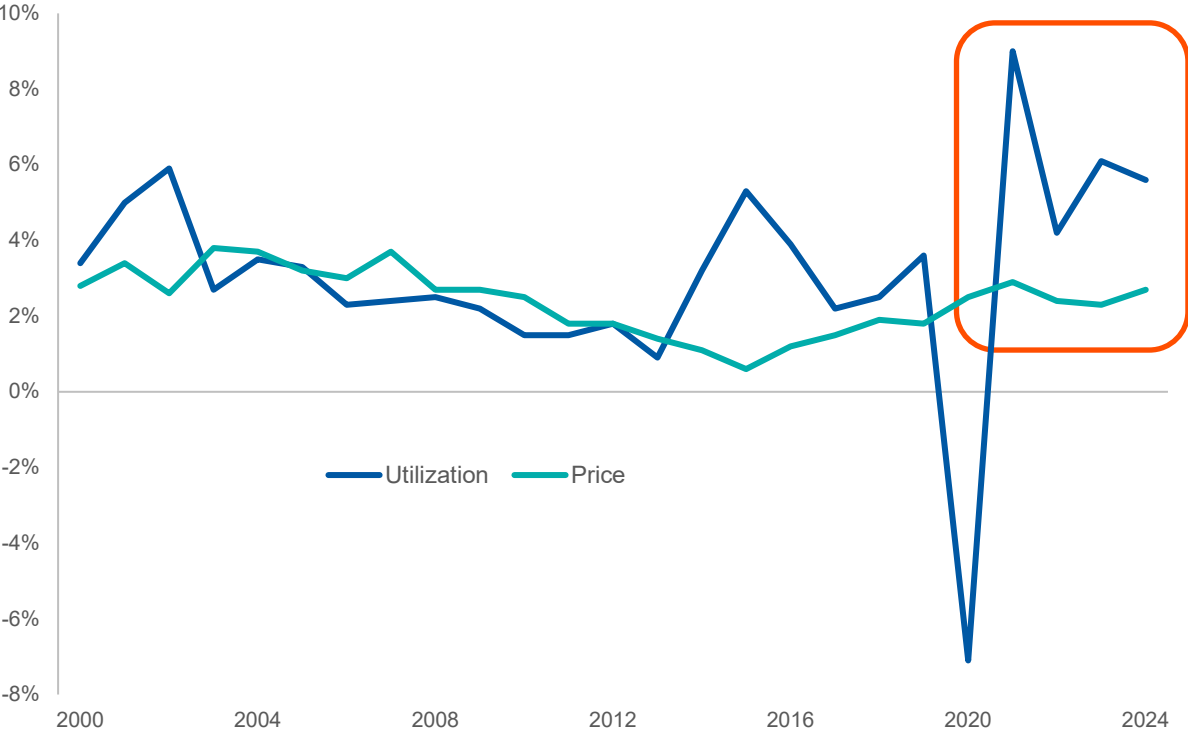
Despite easing, **interest rates remain high**, which impacts healthcare capital projects, M&A and debt service costs among others.

Abbreviations: CPI= consumer price index; M&A= mergers and acquisitions. Sources: Centers for Medicare and Medicaid Services National Health Expenditures Projections; Bureau of Labor Statistics Consumer Price Index supplemental tables and CPI-U projections.

Pandemic aside, utilization has driven expenditure growth over the past decade

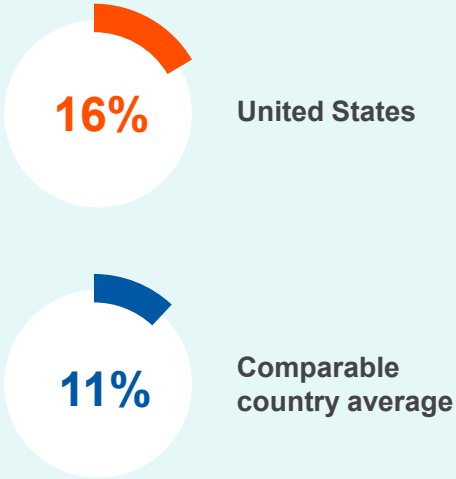
Post-pandemic, utilization spikes are driving **increased expenditures** while prices have increased slowly.

Annual percent change in price and quantity personal consumption expenditure indexes of health services, 2000-2024



Not all utilization is necessary

Percent of adults who used the ED for care, which could have been provided by a regular doctor, or because they did not have a regular doctor.



Abbreviations: ED= emergency department. Sources: KFF Health Policy 101, Health care costs and affordability; Peterson-KFF Health System Tracker, quality of U.S. health system compared to other countries.

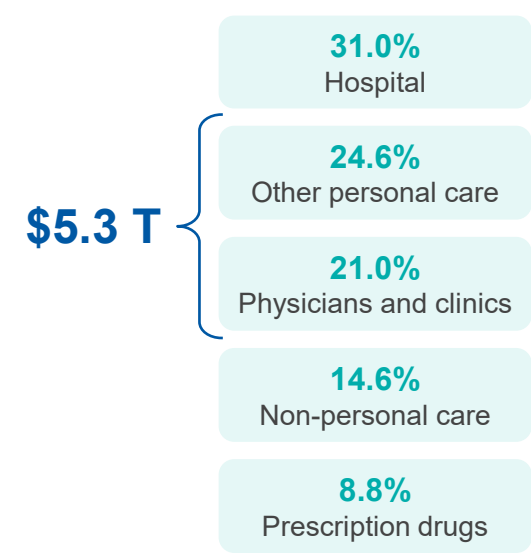
The U.S. is an outlier in costs per capita, primary care availability, post-acute usage and administrative costs

Health costs per capita (\$k), 2024 OECD estimates



*Average excludes United States

2024 NHE spending by service type



Recent and projected CAGRs highlight the softening utilization spike



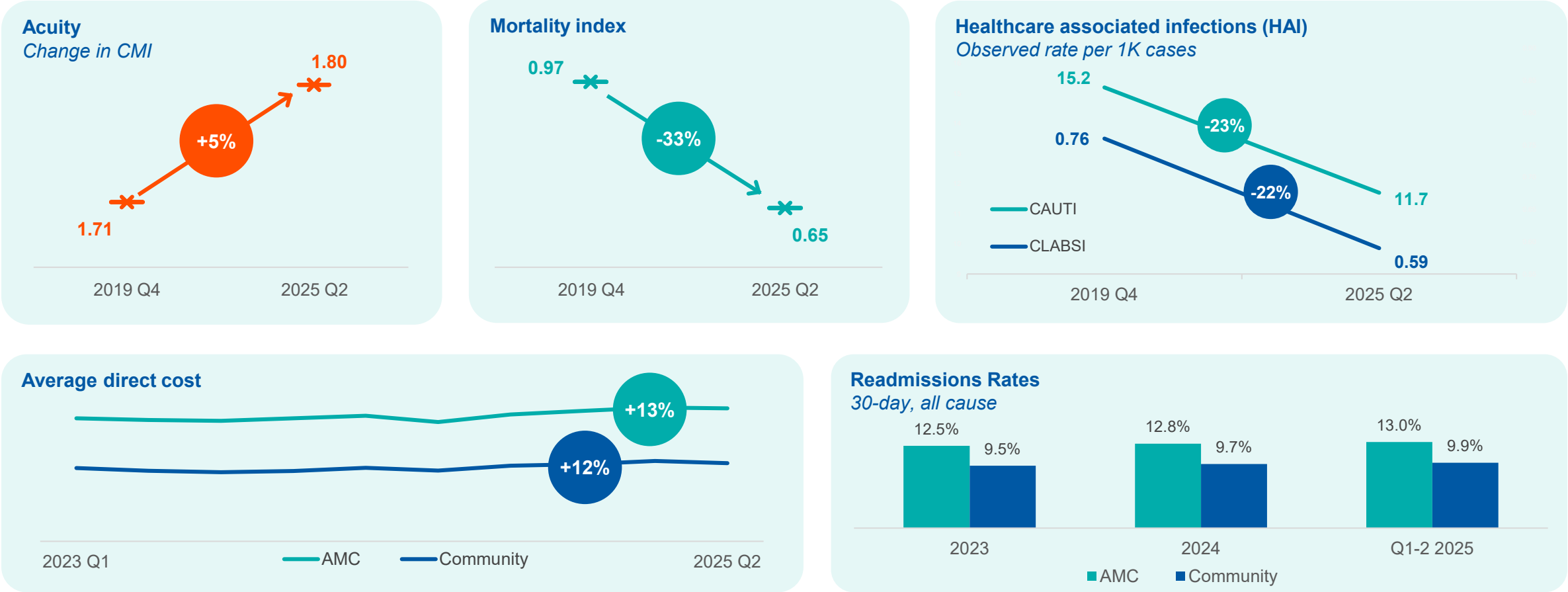
The U.S. spends **2.5x** more than the next leading wealthy country on administrative costs.

Per 1K population, the U.S. has **half** the **PCP supply** than the comparable country average.

The U.S. spends less on **long-term care as a % of GDP** and has dramatically lower LTC use in 65+ population.

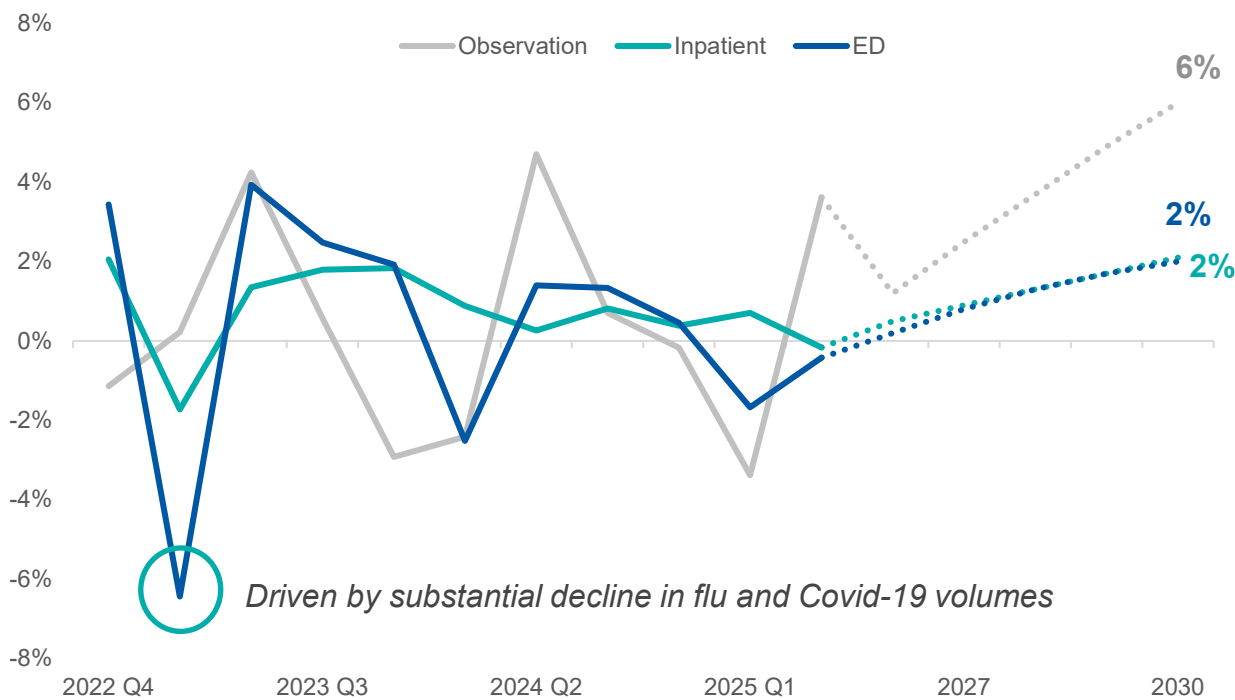
Abbreviations= CAGR= compound annual growth rate; GDP= gross domestic product; LTC= long-term care; NHE= national health expenditure; PCP= primary care provider; UK= United Kingdom. Sources: Centers for Medicare and Medicaid Services National Health Expenditures report; Sg2 Insurance Coverage Forecast (ICF).

While overall U.S. health outcomes are poor, clinical quality has improved amidst rising acuity; gaps remain in readmissions

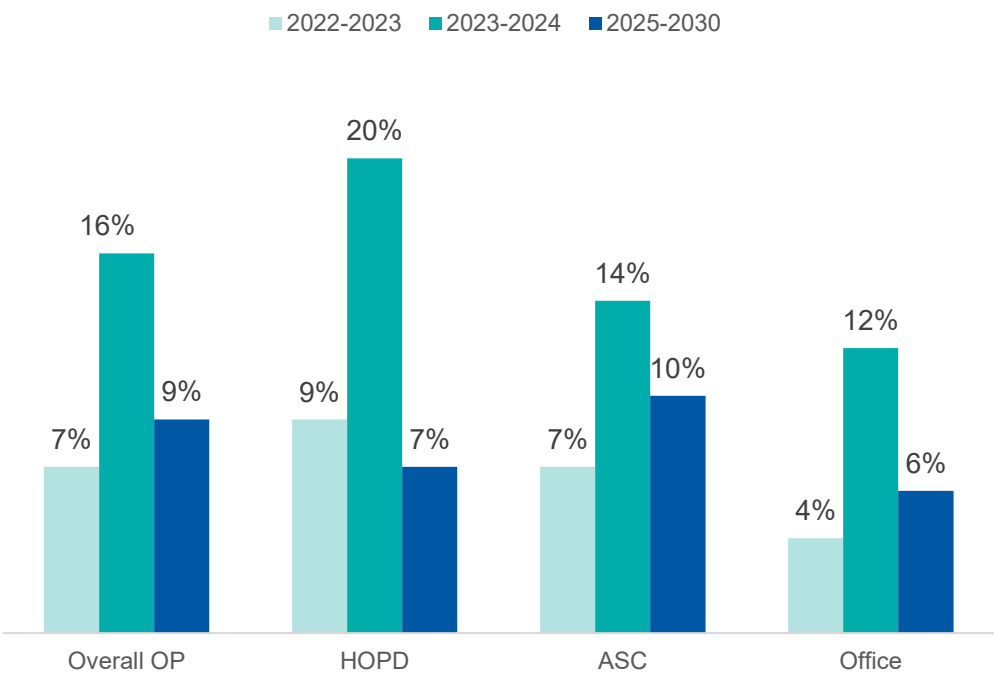


Hospital-based and ambulatory utilization are trending up and will continue as rising acuity and an aging population drive demand

Historical and future projected % change in hospital volume, Q3 2022-Q2 2025, projected to 2030



Historical and future projected % change in adult outpatient surgical volume, 2022-2024 and 2025-2030



Sources: Sg2 Impact of Change, 2025; HCUP National Inpatient Sample, 2021; Sg2 Proprietary All-Payer Claims Data Set, 2022-2024; CMS Limited Data Sets (Carrier, Denominator, Home Health Agency, Hospice, Outpatient, Skilled Nursing Facility), 2023; Claritas Pop-Facts, 2025; Vizient Clinical Data Base; Sg2 analysis 2025.

Similar patterns persist in pediatrics; future growth will be characterized by a higher acuity patient population

Key trends, 2023–2024

–3%

overall ALOS, with service line variation

+2%

inpatient readmission rate

High patient acuity continues with a

1% increase in CMI.

10-year forecast projections

–3%

overall pediatric discharges

► *Children’s Hospitals Forecast: +2%*

► *Non-Children’s Forecast: –9%*

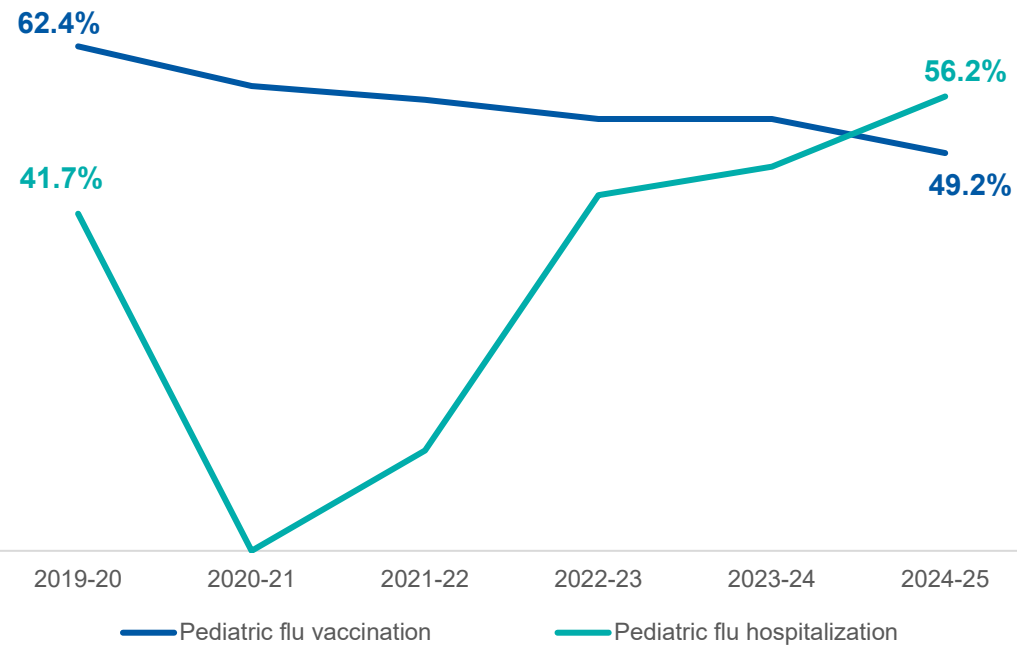
+8%

high-severity ED visits



Neonatology discharges will grow 6% despite 9% decline in births.

Pediatric flu vaccination and hospitalization rate 2019-2025, % vaccinated and cumulative hospitalization rate

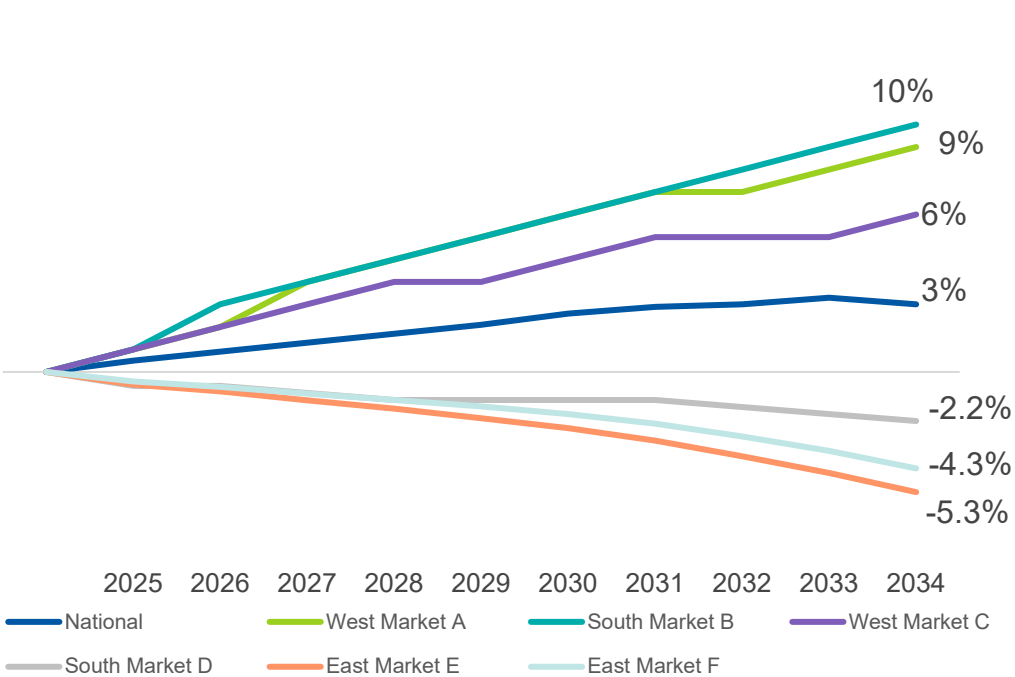


Note: Analysis includes 0–17 age group. Comparison of data from CY 2023 to CY 2024. Key trends analysis excludes neonatology and normal newborn service lines. Forecast projections exclude live births. Abbreviations: ALOS= average length of stay; CMI = case mix index; ED= emergency department.

Sources: Hamilton BE et al. Births: Provision Data for 2024. CDC. April 2025; Data from Vizient Clinical Data Base used with permission of Vizient®, Inc. All rights reserved. Accessed May 2025; Impact of Change®, 2025; HCUP National Inpatient Sample (NIS). Healthcare Cost and Utilization Project (HCUP) 2021. Agency for Healthcare Research and Quality, Rockville, MD; Proprietary Sg2 All-Payer Claims Data Set, 2023; The following 2023 CMS Limited Data Sets (LDS): Carrier, Denominator, Home Health Agency, Hospice, Outpatient, Skilled Nursing Facility; Claritas Pop-Facts®, 2025; Sg2 Analysis, 2025. KFF, Childhood vaccination rates continue to decline as Trump heads for a second term; CDC measles cases and outbreaks; CDC influenza vaccination coverage, children 6 months–17 years, United States; CDC laboratory-confirmed influenza hospitalizations; Sg2 analysis 2025.

Market growth varies across geographies, requiring differentiated capacity strategies based on local demand patterns and acuity

Adult 10-year IP demand forecast, high and low growth markets



	Outpatient	5-year	10-year
High-growth markets	National	10%	18%
	West Market A	18%	26%
	South Market B	18%	25%
	West Market C	16%	21%
Low-growth markets	South Market D	5%	4%
	East Market E	6%	5%
	East Market F	6%	6%

Location and facility type define strategic options.
Whether continuing to manage inpatient growth, capturing ambulatory volume, or defining alternative paths to growth.

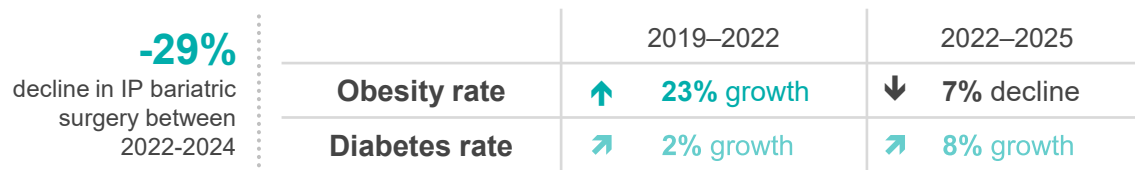
Note: Analysis excludes 0–17 age group. Sources: Impact of Change®, 2024; HCUP National Inpatient Sample (NIS). Healthcare Cost and Utilization Project (HCUP) 2019. Agency for Healthcare Research and Quality, Rockville, MD; Proprietary Sg2 All-Payer Claims Data Set, 2022; The following 2022 CMS Limited Data Sets (LDS): Carrier, Denominator, Home Health Agency, Hospice, Outpatient, Skilled Nursing Facility; Claritas Pop-Facts®, 2024; Sg2 Analysis, 2025.

Pharma-driven therapeutic innovation will bend the demand trajectory across inpatient and outpatient sites in the future

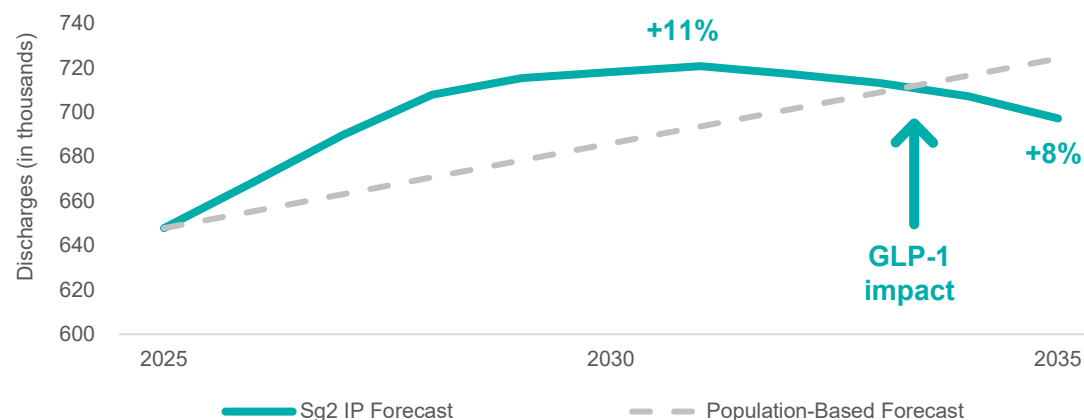
Diabetes and obesity

No. 8 leading cause of death in the U.S.

Therapeutic innovation **changes to the demand trajectory** will have downstream **impact on inpatient capacity**.



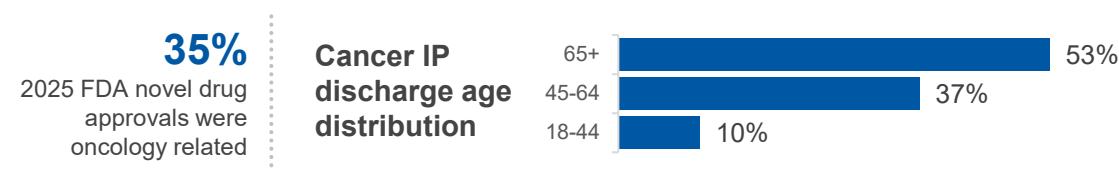
Inpatient Type 2 and unspecified diabetes forecast



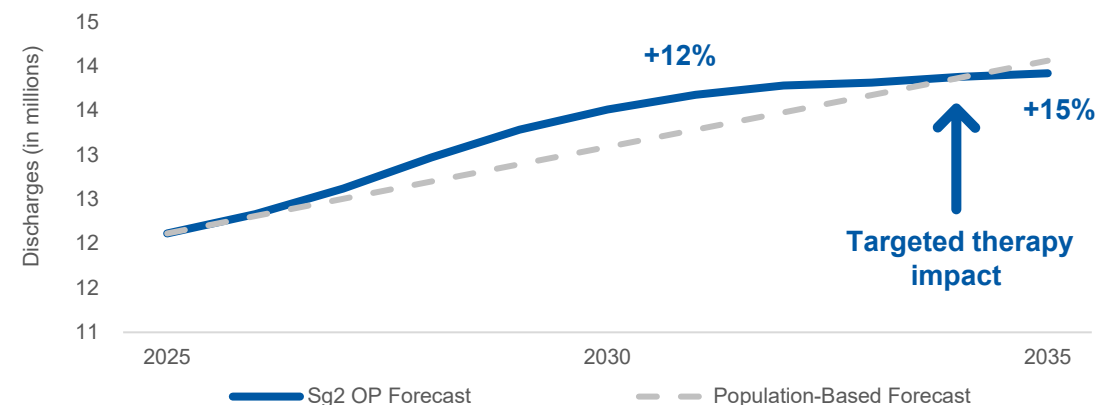
Cancer

No. 2 leading cause of death in the U.S.

Incidence in the commercial age population **drives up spend**, but therapeutic innovation will **bend the OP chemotherapy demand** trend.

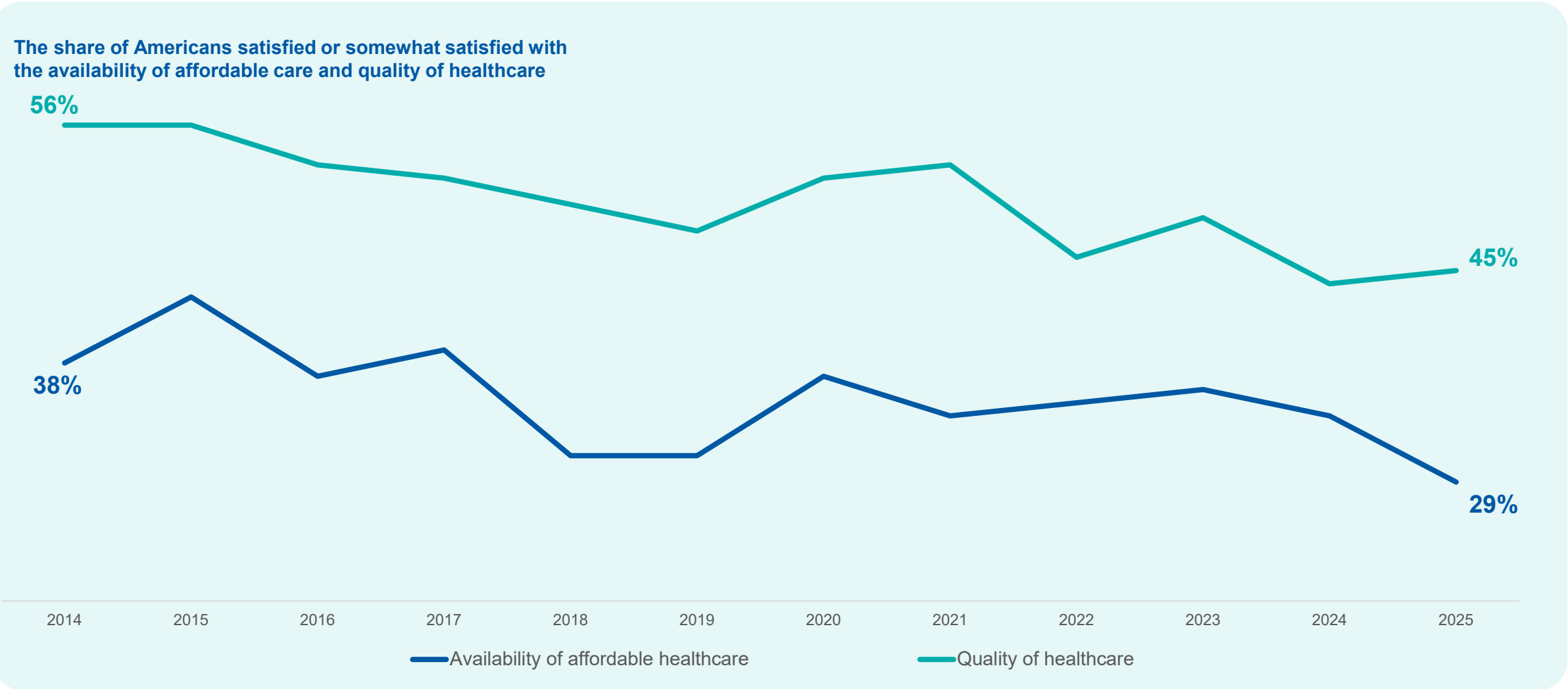


Outpatient oncology chemotherapy forecast



Abbreviations: FDA= Federal Drug Administration; IP= inpatient; OP= outpatient. Sources: Sg2 Impact of Change (IoC) Forecast, 2025; HCUP National Inpatient Sample, 2021; Sg2 Proprietary All-Payer Claims Data Set, 2023; CMS Limited Data Sets (Carrier, Denominator, Home Health Agency, Hospice, Outpatient, Skilled Nursing Facility), 2023; Claritas Pop-Facts, 2025; Sg2 analysis 2025.

At the same time, public perception of the healthcare system continues to decline

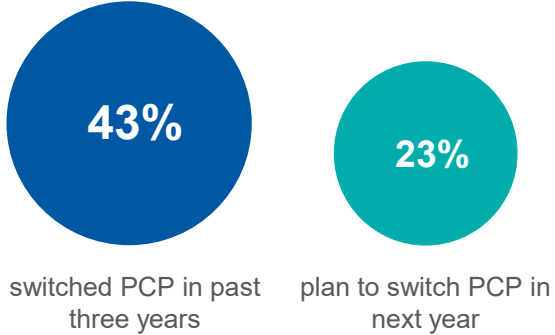


Sources: Gallup healthcare system poll; Vizient analysis 2025.

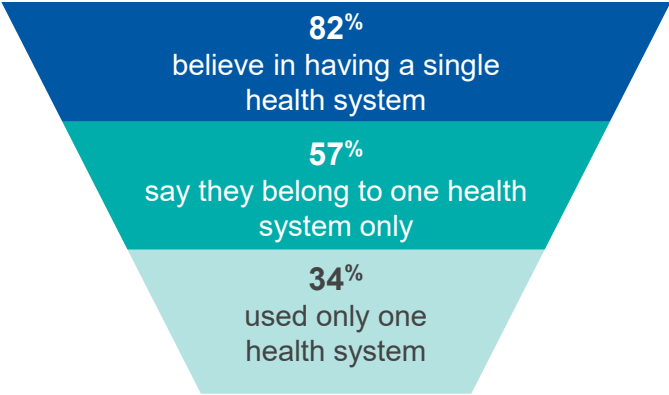
Consumers expect care close to home and patient experience is increasingly top of mind in provider selection



Rate of PCP switching is high, especially for Gen X, Millennials and Gen Z.

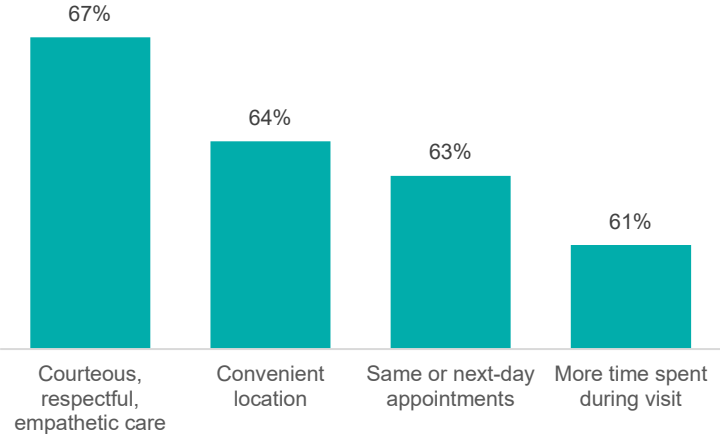


Mismatch between wanting to be loyal and following through on that intention.



Experience, access and convenience lead switching behavior.

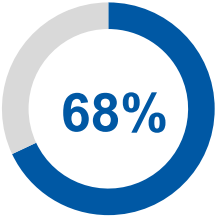
Patients are likely to switch for a provider that offers:



Abbreviations: ED= emergency department; PCP= primary care physician. Sources: Sg2 Consumer Survey, 2025.

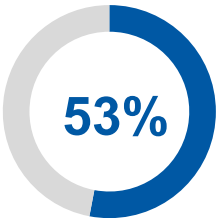
Providers are adopting virtual care to solve workforce and access challenges; current trends illustrate business model shifts

Telehealth is an expressed priority.



of hospital leaders plan to make significant investments in virtual/hybrid care

Provider-based billed utilization is trending down.



of home health agencies that adopted telehealth in 2020 were still using it at the end of 2024

50%
2022

Behavioral health
telehealth utilization

38%
2025

Cash-based solution offerings are accelerating, bridging access gaps and fragmenting care.

Direct primary care

amazon one medical | *GoodRx*

Direct primary care offerings may bill for virtual visits but often handle “quick care” needs virtually within the membership fee.

Direct to consumer

hims | *sondermind* | *ro*

Multiple DTC offerings pair cash-based virtual visits with diagnostic testing, prescription access, wellness and mental health support—often targeting conditions with stigma or that benefit from privacy.

Pharma-led offerings

Lilly Direct | *NovoCare* | *pfizerForAll*

Several pharma companies have entered the DTC market with cash-pay based telehealth + prescription access offerings.



To remain competitive, health systems offer cash-pay solutions

uchealth

Bill insurance, or pay
\$59 cash

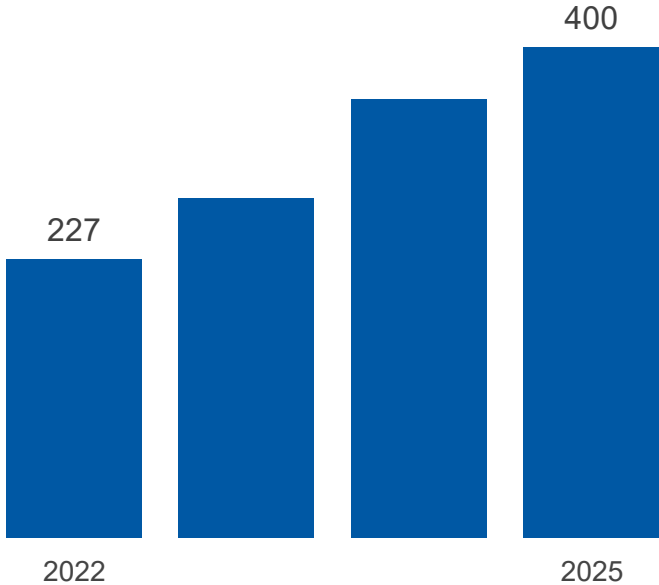
CareNow
Urgent Care

Bill insurance, or
pay \$75 cash

Abbreviations: DTC= direct to consumer. Sources: AAMC-Vizient Clinical Practice Solutions Center (CPSC); NCBI PubMed Central, Telehealth Use by Home Health Agencies Before, During, and After COVID-19; Vizient Analysis 2025.

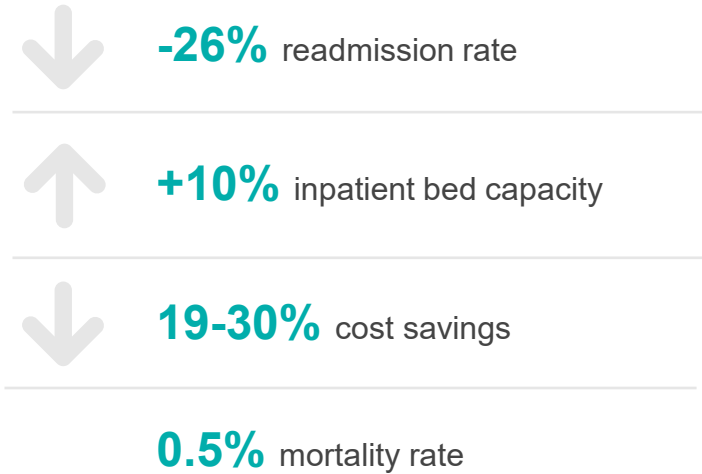
Care at home models expand to meet consumer expectations and ease capacity constraints; reimbursement uncertainty limits scale

Hospital at home waiver adoption
2022-2025



Hospital at Home waiver adoption has steadily increased since 2022

Hospital at home quality metrics demonstrate positive impact



Quality metrics demonstrate opportunity to reduce cost, improve outcomes

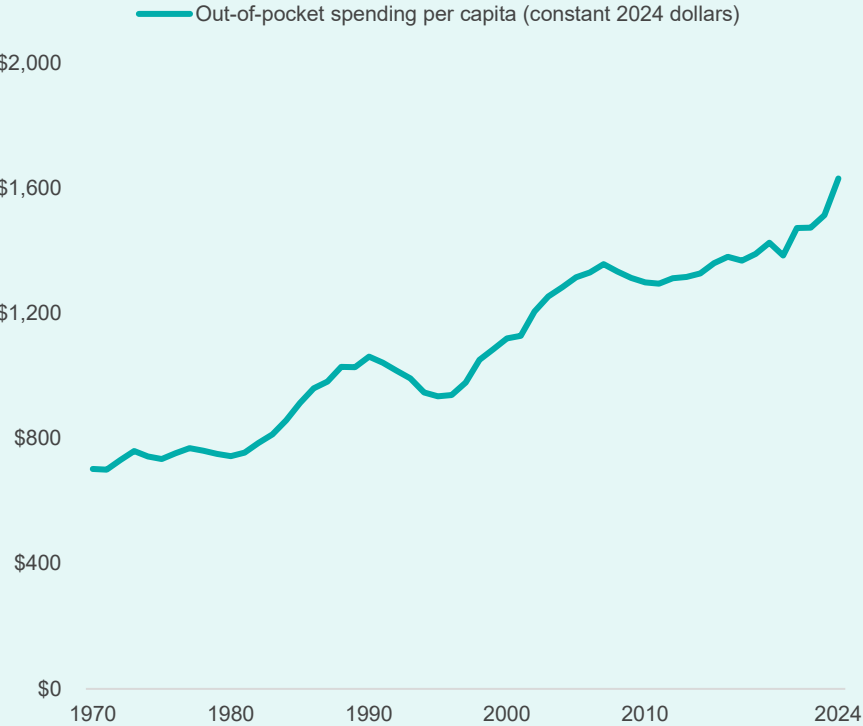
Long-term outlook remains uncertain

- The late-2025 government shutdown halted hospital at home programs nationwide, resulting in operational stalls and staff furloughs
- Many organizations redeployed staff, technology, and infrastructure to alternative care at home models or limited services to patients covered by their own plans or private insurance
- Following the government reopening, programs resumed; however prior shutdown-related capacity disruptions continued to affect operations
- Legislation to extend Acute Hospital Care at Home Program passed the House in December 2025; Senate outlook is still unclear

Sources: JAMA, study on clinical and operational outcomes related to hospital care models; JAMA Network Open, national analysis of acute care delivered at home; American Hospital Association, Providers betting big on the future of hospital-at-home; Mass General Brigham, national data demonstrating the value of acute hospital care at home; Vizient analysis 2025.

Consumer trust continues to deteriorate as rising costs, fragmented experiences and access barriers shape perceptions

Out-of-pocket spending per capita
(constant 2024 dollars)



+6.3%

2024-2025

increase in average
annual deductible
(single coverage), all
firms

78%

2024

increasing % of adults
worried about the
availability/affordability
of healthcare

83%

2025

3 in 4

adults say they have
skipped or postponed
getting healthcare they
needed in the past 12
months because of cost

Sources: Bureau of Labor Statistics Consumer Price Index estimates; Gallup healthcare system poll; Centers for Medicare and Medicaid Services National Health Expenditures report and personal care expenditures data; Vizient analysis 2025.



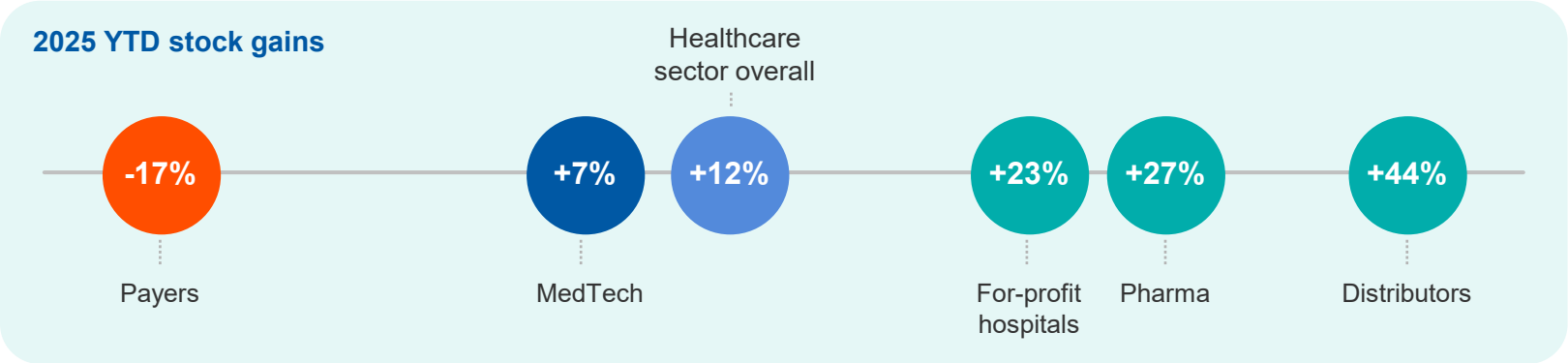
2. Financial sustainability is likely to be challenged as demographic, policy and innovation headwinds accelerate.

Healthcare financial sustainability is entering a period of heightened strain as demographic shifts, policy transitions and innovation-driven cost growth converge. Hospital performance has stabilized but remains fragile, with widening margin variation, increased dependence on commercial reimbursement and growing exposure to Medicare as populations age. Payers are experiencing significant profitability erosion across lines of business as utilization spikes and regulatory changes reshape plan economics. Employers face rising premiums and limited levers to contain escalating health benefit costs.

Simultaneously, pharmaceutical and MedTech innovation continues to accelerate, improving outcomes for targeted populations but introducing affordability challenges, new utilization patterns and infrastructure demands. Policy developments such as OBBB, site-neutral payment and the expiration of enhanced tax credits are poised to increase the uninsured rate, reduce reimbursement and shift payer mix unfavorably. Together, these pressures signal a more volatile and uneven financial environment, one in which long-term sustainability will require new capabilities, more diversified revenue strategies and innovative partnerships across the healthcare ecosystem.

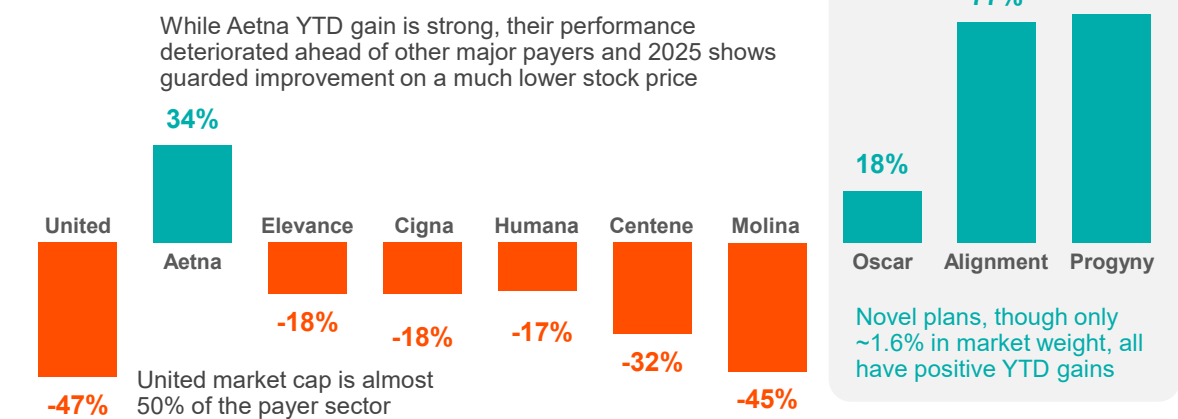
Across the board, this means more volume, less favorable reimbursement and higher risk.

Uneven stakeholder financial performance highlights variance in positioning as the industry awaits looming headwinds

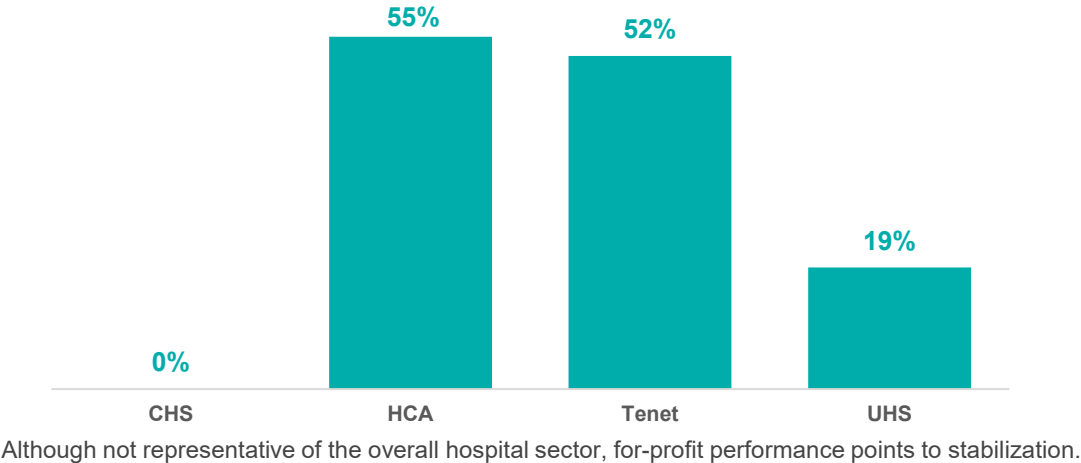


Stock gains reflect the underlying financial dynamics and associated variability among stakeholder groups where payers have been abnormally challenged

Payer breakdown



For-profit hospital breakdown

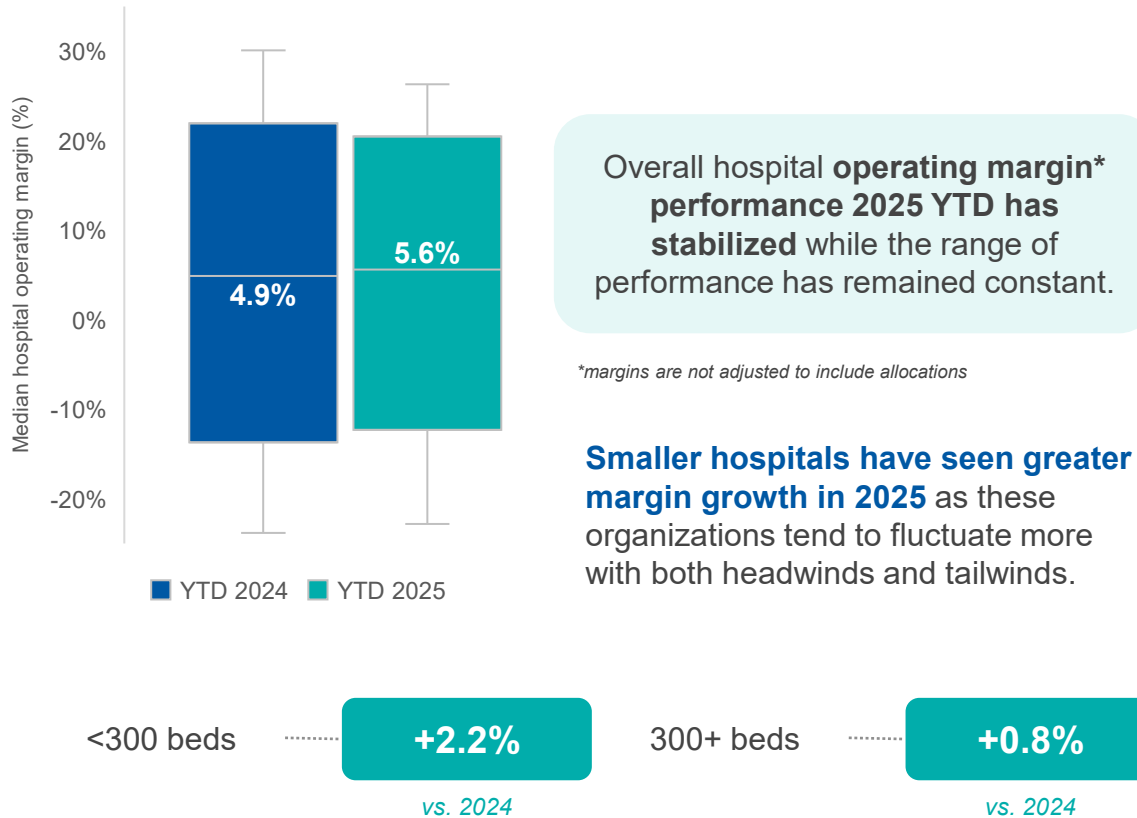


Note: YTD as of December 15, 2025

Sources: Yahoo Finance quote and chart data for payer and for-profit hospital tickers (UNH, CVS/Aetna, ELV, CI, HUM, CNC, MOH, OSCR, ALHC, PGNY, HCA, THC, UHS, CYH); CompaniesMarketCap, Molina Healthcare market capitalization; UnitedHealth Group Q1 2025 earnings and guidance report; Healthcare Dive, 2025 outlooks for for-profit providers; Morningstar, healthcare policy uncertainty and interest in defensive stocks; Vizient analysis 2025.

Hospital financials highlight stabilization and improved liquidity overall, though margin variability creates market segmentation

Hospital financials have continued to stabilize with 2025 YTD median operating margins 7x 2022 margins (5.6% vs. 0.8%).



Ratings agency reports echo financial stability but warn against a clouded long-term outlook.

U.S. not-for-profit health system metrics (Fitch, August 2025)

↑	Operating margins	1.1%
↑	% hospitals w/ + margins	64%
→	Days cash on hand	215.1 days
↑	Cash-to-debt	169.2%
↓	Debt-to-capitalization	30.7%

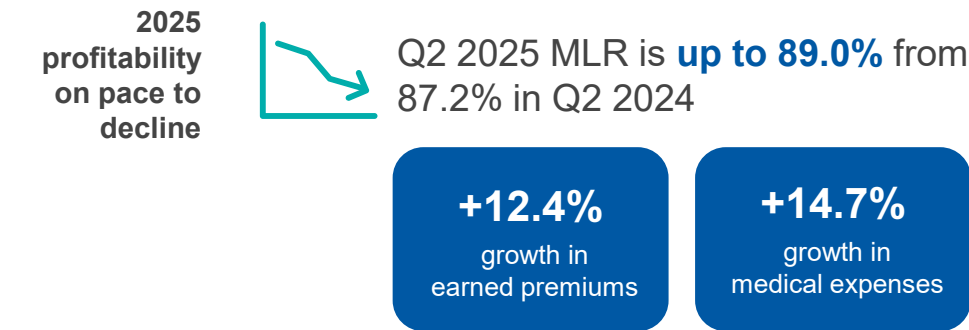
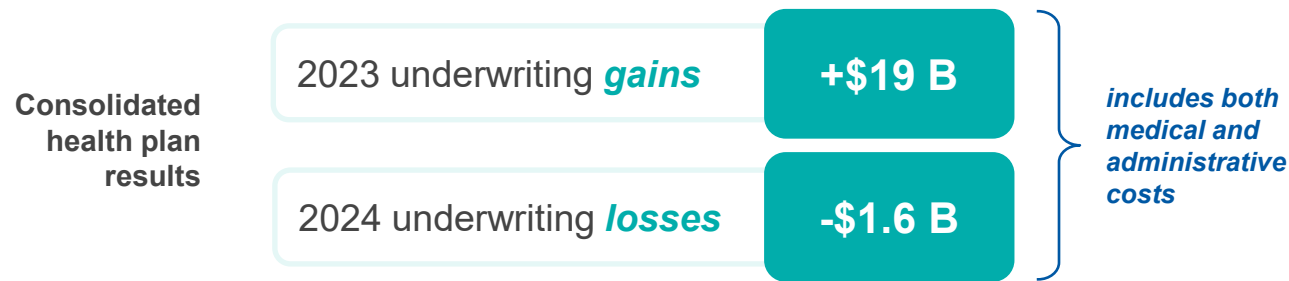
Sector outlook: **Neutral**



Uncertainty looms due to legislation changes, demographic shifts, continued inflation/cost pressures and payer dynamics.

Meanwhile, the health insurance subsector struggles as payer profitability continues to erode

2024 was a year of significant downturn in payer profitability largely driven by utilization spikes, a trend that has continued into 2025.



What about provider-sponsored health plans?

PSHPs lack the scale of major payers, making it challenging to weather MLR spikes. Several exits have pointed to systems refocusing on the core health system business.

1/1/2025 Exits

- Southwestern Health Resources shuts Care N’ Care
- UnityPoint-Health Partners end JV MA plan
- Dignity Health and NorthBay Health exit MA via JV Western Health Advantage
- UVM Health Advantage exits MA

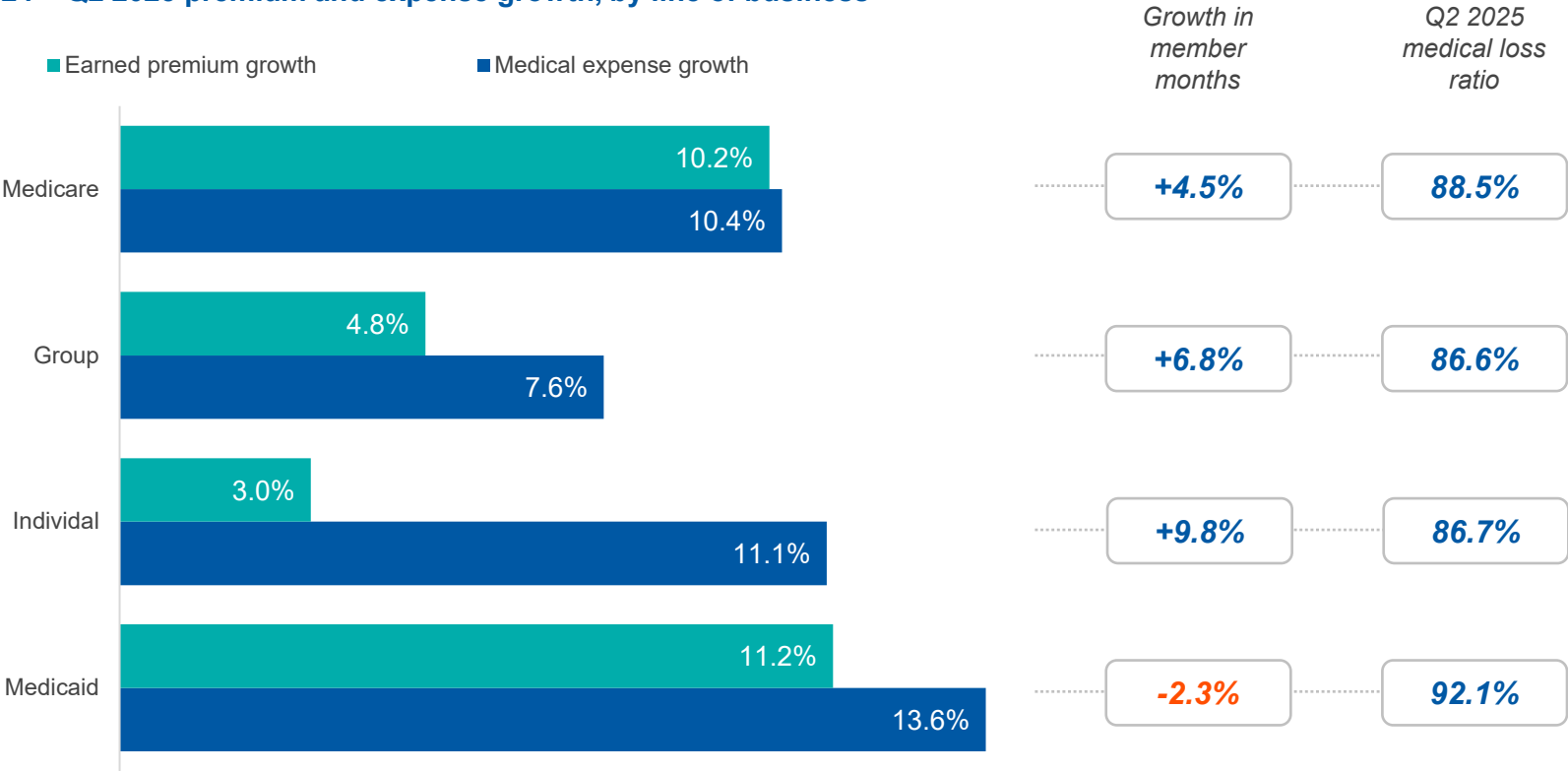
1/1/2026 Exits

- Carle Health exits health plan business
- Michigan Medicine exits health plan business
- Ochsner Health exits MA business
- Samaritan Health Services exits MA business

Abbreviations: JV= joint venture; MA= Medicare Advantage; MLR= medical loss ratio; PSHP= provider sponsored health plans. Sources: Mark Farrah Associates health insurance segment profitability analyses; CMS Star Ratings public use files; Sg2 Insurance Coverage Forecast (ICF) Medicare Advantage penetration projections through 2030.

Profitability trends are consistent across payer lines of business, driven by a widespread rise in medical loss ratios

Q2 2024 – Q2 2025 premium and expense growth, by line of business



Medical expense growth is outpacing premium growth in every line of business.

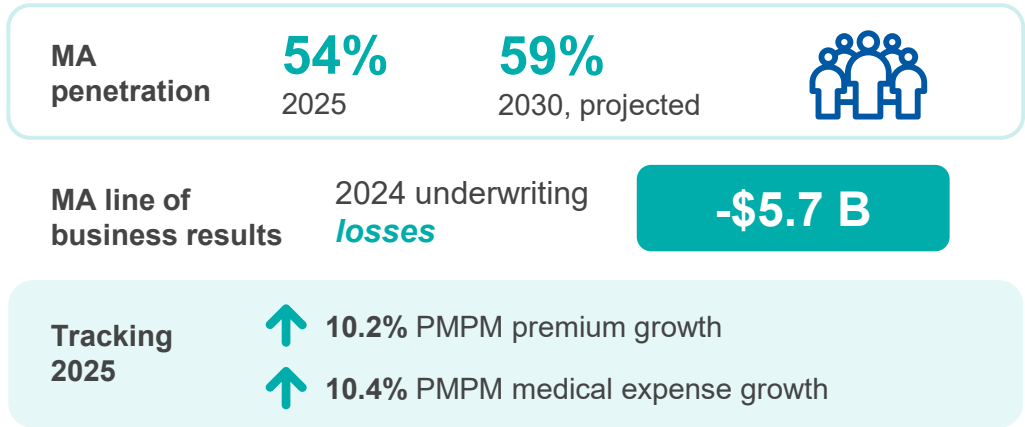
Medicaid is the only segment that experienced a decline in total member months.

Sources: Mark Farrah Associates health insurance segment profitability analyses; CMS Star Ratings public use files; Sg2 Insurance Coverage Forecast (ICF) Medicare Advantage penetration projections through 2030.

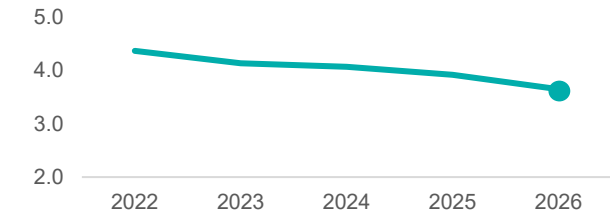
Even historically profitable lines of business are showing signs of decline, pressuring payers to reconsider their strategies

Medicare Advantage

Historically the most profitable line of business, MA payers struggle to bounce back from unexpected utilization trends and regulatory changes.



2026 average MA CMS Stars rating is 3.65 out of 5, down 6.9% from 2025

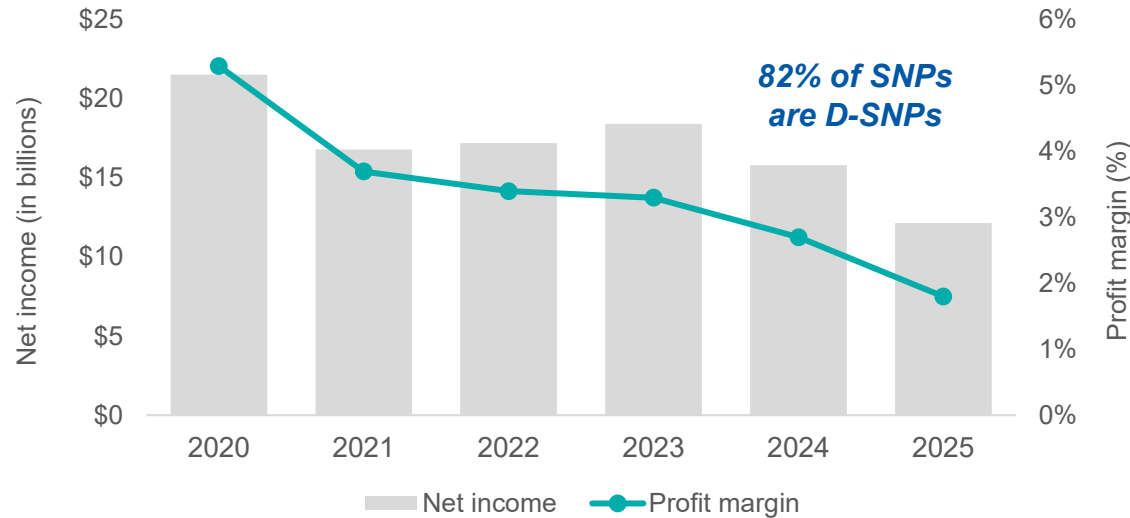


2026 market retrenchment

General plan exits + product pruning: fewer PPOs, tighter HMOs, shrinking supplemental benefits

Dual-eligibles

Although SNPs have higher margins than traditional MA plans 7.5% vs. 3.6% (2022), even these plans are showing margin erosion.



2026 growth in SNPs

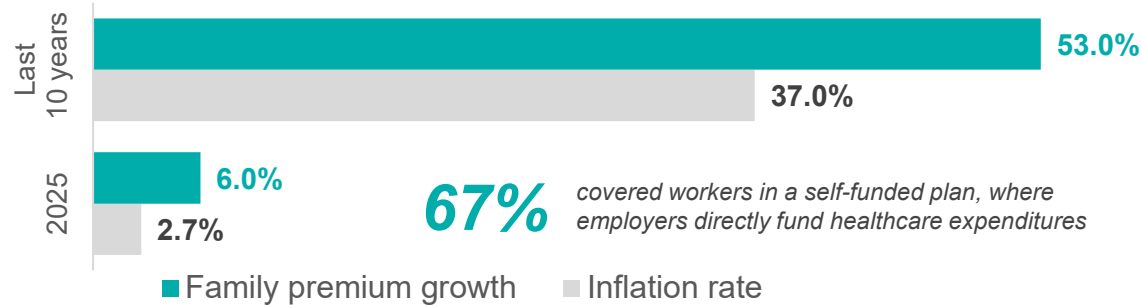


Abbreviations: MA= Medicare Advantage; CHF= Congestive heart failure; CKD= Chronic kidney disease; CMS= Centers for Medicare and Medicaid Services; C-SNP= Chronic Condition Special Needs Plan; CV= Cardiovascular; D-SNP= Dual Special Needs Plan; HMO= Health Maintenance Organization; PMPM= per member per month; PPO= Preferred Provider Organization; SNP= Special Needs Plan; . Sources: Mark Farrah Associates health insurance segment profitability analyses; CMS Star Ratings public use files; Sg2 Insurance Coverage Forecast (ICF) Medicare Advantage penetration projections through 2030. KFF.

Employers struggle to find levers that can effectively curb the increasing escalation of healthcare costs

Premium growth has significantly exceeded the inflation rate over the past decade as experts predict 2026 to be the highest growth yet.

KFF 2025 employer health benefits survey



Mercer, Aon, and
Willis Towers Watson

9.0–9.5%

Major brokers predict employer healthcare costs will increase faster in 2026 than any point in the last 15 years.

Current cost accelerators:

Utilization

Costly drugs
(GLP-1s)

Chronic and high-
cost conditions

Responses attempt to shift the pressure...



Consumers

more cost sharing

tighter coverage/
benefit design



\$1,663 average deductible in 2025, up **23%** from 2020



Providers

network redesign

stronger negotiations



41% are exploring high-performance or **narrow networks**



Pharma

PBM pressures

explore alternative solutions



76% of employers **very concerned** about pharmacy costs

Abbreviations: PBM= Pharmacy Benefit Manager. Sources: KFF 2025 Employer Health Benefits Survey; Mercer, Aon, Willis Towers Watson Press Releases; Business Group on Health, 2025 Employer Health Care Strategy Survey, August 2024; Vizient Analysis 2025.

ICHRA's continued growth and payer support show promise as employers seek predictable, cost-effective coverage options

ICHRA growth, by the numbers

+1000%

2020 - 2025

growth in ICHRA since 2020

+34%

2024 - 2025

increase in ICHRA adoption, applicable large employers

+52%

2024 - 2025

increase in ICHRA adoption, small employers (<50 ees)

A small part of total employer coverage, but growing rapidly

~500K of 154 million

Some payers remain bullish

CENTENE
corporation

"We believe ICHRA is the future of healthcare coverage for individuals and families, increasing flexibility and affordability."

—Sarah London, Centene CEO

Ambetter
HEALTH

Transitioning 700 Centene employees to ICHRA in 2026

Created new role in 2025—president over ICHRA services at Ambetter

oscar

"Oscar...continues to shape the future of employer coverage through ICHRA."

—Q3 2025 earnings call



ICHRA is currently regulatory, not statutory, meaning it is not codified into law.

What will be the impact of APTC expiration on the health of the exchange marketplace and ICHRA adoption?

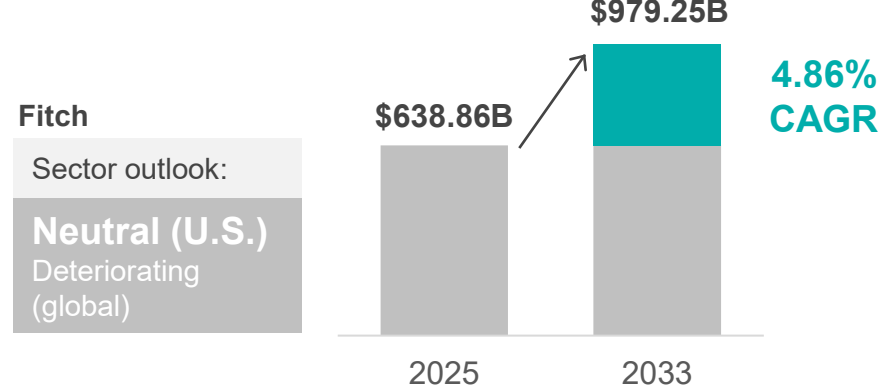
Abbreviations: APTC= advanced premium tax credit; ees= eligible employees, ICHRA= individual coverage health reimbursement arrangement. Sources: Mark Farrah Associates health insurance segment profitability analyses; CMS Star Ratings public use files; Sg2 Insurance Coverage Forecast (ICF) Medicare Advantage penetration projections through 2030. KFF.

Specialty-drug innovation fuels Pharma’s expansion as oncology and metabolic advancements lead the way

Pharma 2025 YTD Stock Price Growth exceeds healthcare sector performance in 2025

+27%

US Pharmaceutical Industry growth, 2025 - 2033



Novel drugs in oncology and metabolic are a priority

Oncology represents **38%** of all novel drug approvals in 2025 and has the world’s top selling drug (2024), Keytruda (Merck)

Top therapeutic areas of FDA novel drug approvals in 2025 (as of 12/04/2025)

Therapeutic area	# of approvals
Oncology	15
Immunology/allergy/derm	6
Rare genetic/metabolic	4

Companies with top obesity/diabetes products

Lilly 35.4% YTD stock price growth

novo nordisk -42.9% YTD stock price decline
(recently cut 2025 operating profit forecast by 9% as it loses ground to Eli Lilly)

Multiple companies racing to develop oral equivalent

Pharma growth is fueled by biologics and specialty drugs, chronic diseases, and accelerated innovation...

...while dealing with increased pricing scrutiny, regulatory challenges, and negative industry perceptions.

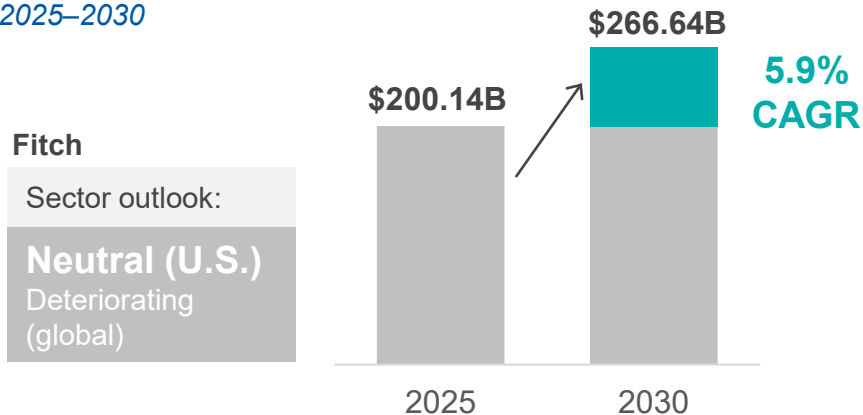
Sources: Research and Markets, United States Pharmaceutical Market Regulatory Insights and Forecast 2025-2033; Fitch Ratings pharmaceutical industry outlook; FDA Novel Drug Therapy Approvals as of 12/04/2025; S&P Capital IQ, daily stock price data for tickers (LLY, NVO); Vizient analysis 2025.

MedTech is embracing AI and digital platforms to drive sustainable growth and differentiate

MedTech 2025 YTD stock price growth lags healthcare overall, though largest companies show stronger results

+7%

U.S. MedTech industry growth, 2025–2030



MedTech is expanding beyond hospitals into homes, outpatient settings, and everyday life through the rise of personalized, precision-medicine and patient-centric care.

Medtech is shifting business model to differentiate through AI and digital platforms

Radiology continues to be leading therapeutic area for AI enablement, with mostly major MedTech firms leading approvals in 2025.

GE HealthCare

PHILIPS

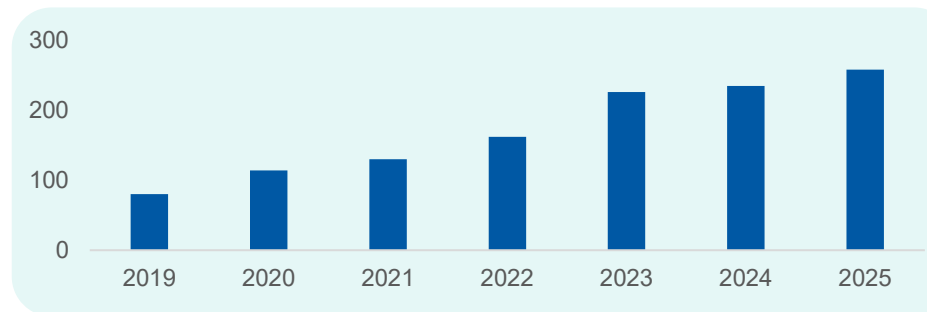
UNITED IMAGING

SIEMENS
Healthineers

Canon
Medical

Gross margin expansion through AI and SaaS: AI modules often carry **80%–90% gross margins** compared to 55%–65% for traditional devices.

In a highly competitive market, AI-enabled device approvals are **up ~223%** since 2019.

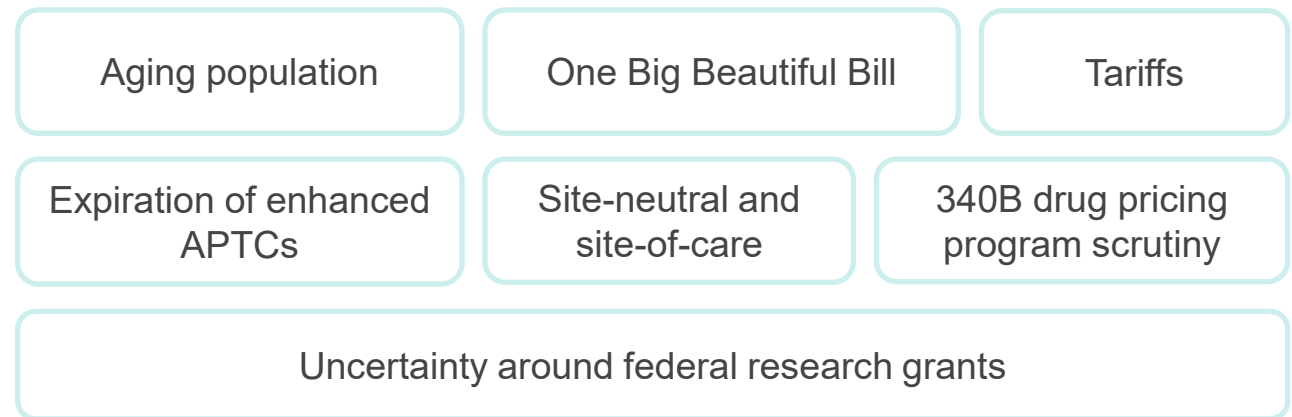


The FDA's approval list now includes **1,357 AI-enabled medical devices**

Sources: Statista; Research and Markets, US MedTech Market, 2025-2033; Fitch Ratings Global Medical Devices, Diagnostics, and Products outlook; FDA AI-Enabled Medical Devices Approvals as of 12/05/2025; Vizient analysis 2025.

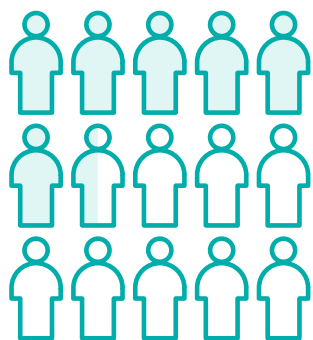
Demographic changes, along with policy and regulatory shifts, will have cascading effects across the healthcare ecosystem

Abbreviations: APTCs= Affordable Care Act Enhanced Premium Tax Credits; AI= Artificial intelligence.
Sources: Vizient analysis 2025.



The wave is coming—and it will reshape the landscape.

Although almost half of Americans are covered through commercial insurance, Medicare/Medicaid fund most hospital discharges



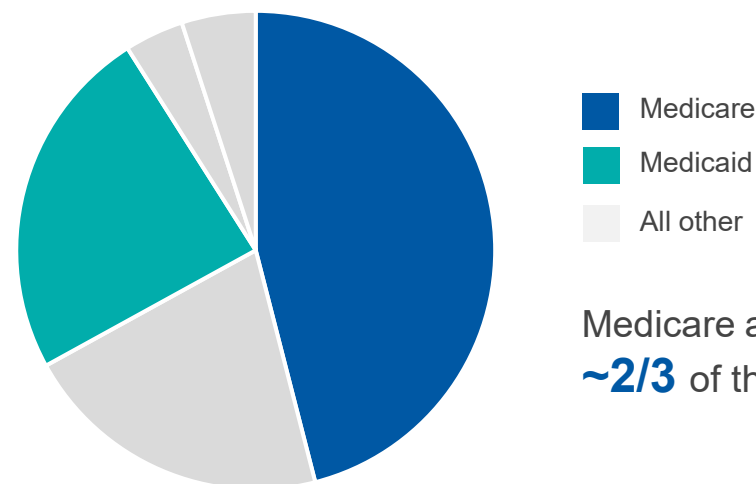
The majority of Americans are covered by **commercial insurance (45.8%)**

Other coverage breakdown

Medicare	19.5%
Medicaid	20.4%
ACA Marketplace	6.7%
Uninsured	7.6%

While the **government payers** fund most hospital discharges

Share of funding of hospital discharges 2023



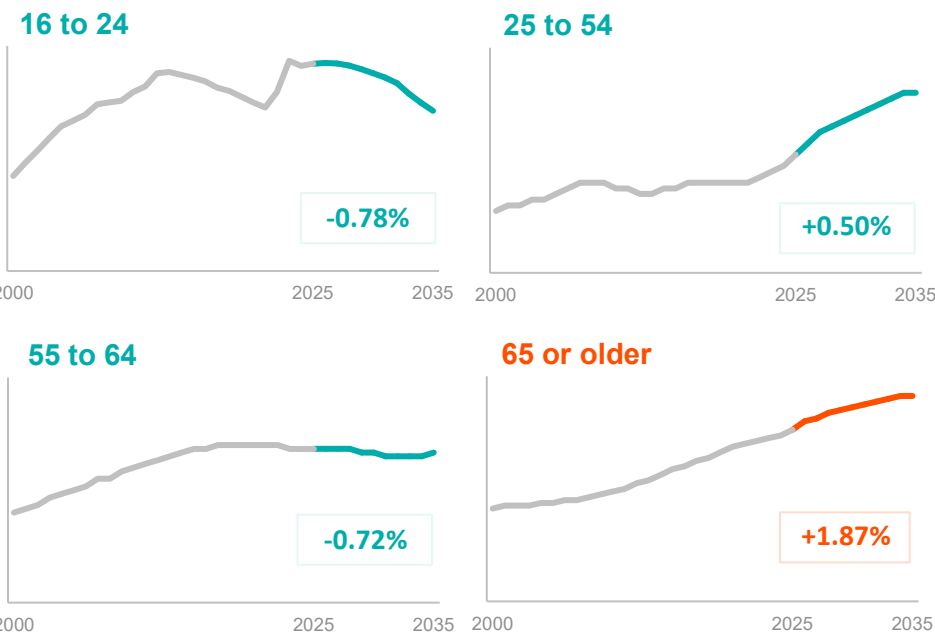
Medicare and Medicaid combined fund **~2/3** of the cost of hospital stays.

Demographic shifts and legislative impacts will influence future enrollment and funding mechanisms.

Sources: Centers for Medicare and Medicaid Services National Health Expenditures report; Sg2 Insurance Coverage Forecast (ICF), KFF "Key Facts about hospitals"; Vizient analysis 2025.

The growth in 65+ age group over the next 10 years brings utilization and expenditure pressures that must be managed

U.S. population* projection, by age group

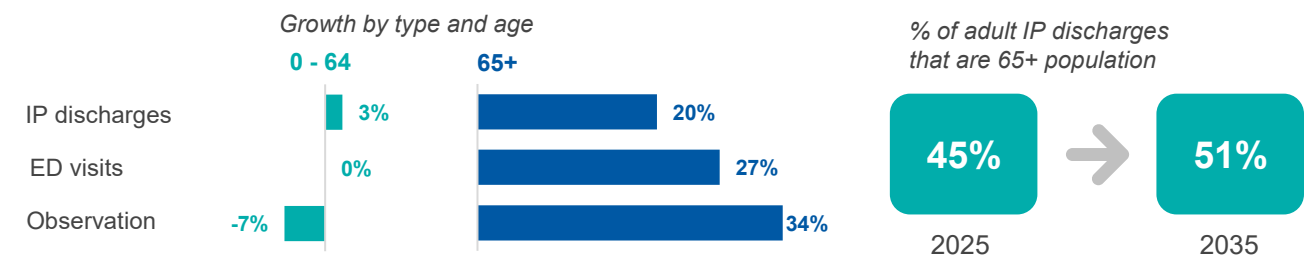


Millions of people | 2025 – 2035 CAGR

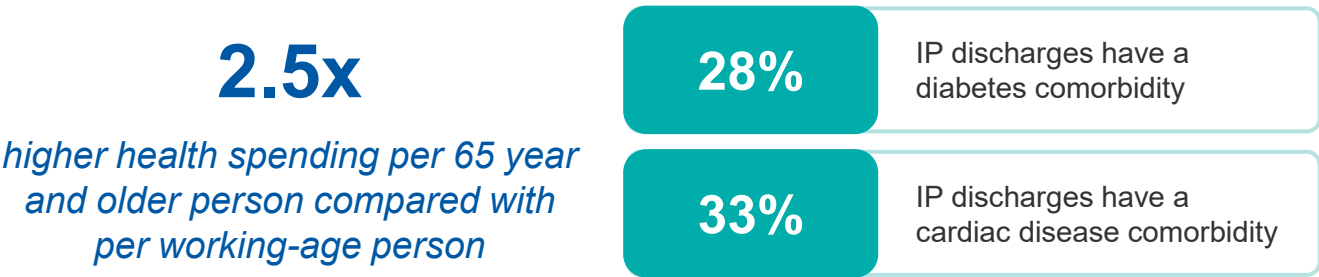
BLS Through 2024 Plus CBO September 2025 Projections of the Civilian Noninstitutionalized Population, by Age Group

Hospital-based utilization is trending up and will continue as the aging population drives acuity and demand.

2025 – 2035 forecast



More resources are required, more access is needed and the costs to treat these patients will be more expensive.



Abbreviations: CAGR= compound annual growth rate; ED= emergency department; IP= inpatient. **Sources:** Sg2 Insurance Coverage Forecast (ICF); Congressional Budget Office health spending projections; Centers for Medicare and Medicaid Services National Health Expenditure fact sheet; Vizient analysis 2025.

Hospital financials will be tested as Medicare enrollment grows and becomes a larger part of overall payer mix

Not only does the aging population increase both demand and acuity, but it also influences a hospital's payer mix.



Demand and acuity

Nationally, the aging population will cause **Medicare** to make up a **larger percentage of total enrollment** while the commercial share declines slightly.

Projected enrollment mix changes
2026 – 2031

↑ Medicare	21%	→	23%
↓ Commercial	47%	→	46%

1% shift in payer mix from commercial to Medicare = **~0.8% revenue loss**

Hospitals lose \$ on Medicare and rely on strong commercial reimbursements to cross-subsidize.

2025 avg. hospital operating margin, Medicare

-13%



optimize cost efficiencies

2025 avg. commercial reimbursement, as a % of Medicare

196%



maximize payer contracts

cost growth continues to outpace revenue growth

costs grew **1.8x** **revenues** in 2025

payer profitability is the lowest it has been in years

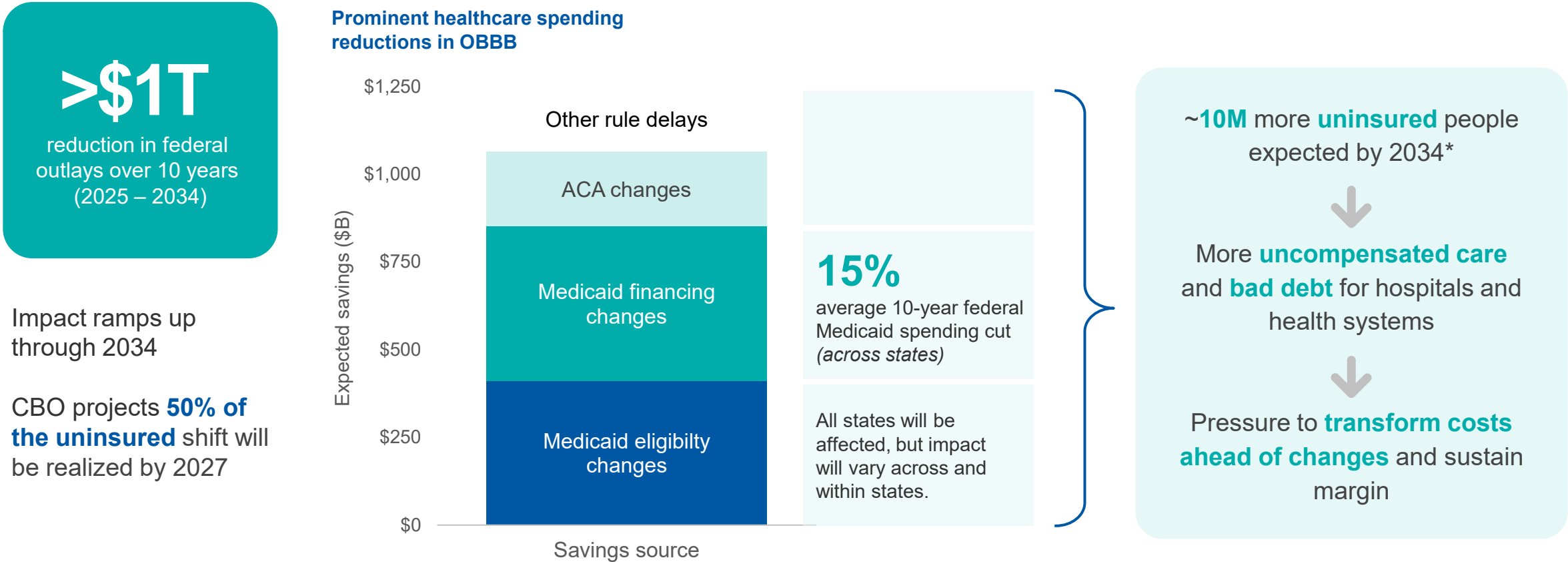
2024 underwriting **losses of \$1.6B**

Headwinds



Sources: Sg2 Insurance Coverage Estimates (ICE); Milliman commercial reimbursement benchmarking Medicare FFS rates, 2025; MedPac https://www.medpac.gov/wp-content/uploads/import_data/scrape_files/docs/default-source/reports/mar20_medpac_ch3_sec.pdf , Vizient analysis 2025.

OBBB changes Medicaid eligibility/financing, ACA tax credit eligibility and more; expect ~10M+ newly uninsured over time



OBBB and other policy changes will have a significant impact on hospital financials over the coming years

OBBB and the potential expiration of APTCs are likely to spike the uninsured and reduce overall funding for healthcare



Funding and coverage

OBBB is expected to erode Medicaid. Individual state responses unknown but declining provider revenues and a spike in the uninsured are predicted.

Projected Enrollment Mix Changes
2026 – 2031

↓ Medicaid	17%	→	14%
↓ HIX	6%	→	5%
↑ Uninsured	10%	→	12%

1% shift in payer mix from Medicaid to Uninsured = **~0.3% revenue loss**

Sources: Sg2 Insurance Coverage Estimates, 2026; Commonwealth Fund, The Impact of Proposed Federal Medicaid Work Requirements on Hospital Revenues and Financial Margins, 2025; Centers for Medicare and Medicaid Services Newsroom, CY 2026 Hospital Outpatient Prospective Payment System and Ambulatory Surgical Center Proposed Rule fact sheet; American Hospital Association hospital medical supply spending data, 2023 (as reported by Cardinal Health); GlobalData analysis of U.S.-marketed medical device manufacturing; Government Accountability Office, <https://www.gao.gov/products/gao-20-212>, Health Resources & Services Administration, <https://www.hrsa.gov/sites/default/files/hrsa/about/news/nprm-affordable-medications-factsheet.pdf>, Vizient analysis 2025.

The projected impacts of both passed and proposed legislation could be significant.

20-50%

in drug savings at risk for the 340B hospitals that potentially lose eligibility due to Medicaid disenrollment

~\$147B spent

on imported medical supplies by US hospitals in 2023; 69% of medical devices are imported

\$220M

estimated annual Medicare spending reduction from expanded site neutral payments

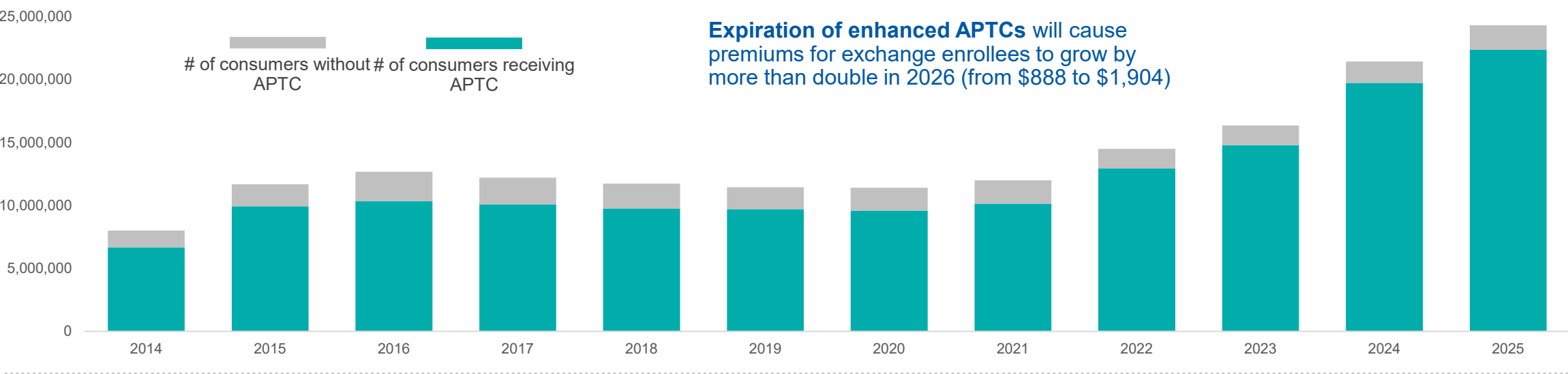
0.4 – 0.5 pp

decline in operating margins for expansion state hospitals due to Medicaid work requirements

The ACA marketplace faces challenge as enhanced APTCs were allowed to expire at the end of 2025

Enrollment in the ACA marketplace has more than **doubled** since 2020, growing by 12.9M (a 113% increase) from **11.4M** to **24.3M**. Much of this growth can be attributed to the enhanced subsidies.

Growth of ACA marketplace enrollment with and without APTC



Enrollment has more than tripled in:



Notes: APTC = Advanced Premium Tax Credits. Sources: KFF, Enrollment growth in the ACA Marketplaces; Centers for Medicare and Medicaid Services Exchange Open Enrollment public use files; Vizient Analysis 2025.

Site-neutral and site-of-care payment policies increase ambulatory pressures and open the door further to disruption

2026 OPPS Final Rule (released 11/21/2025)

Advancing site neutral

CMS will reduce OPPS reimbursement for drug administration services when provided in “excepted” off-campus HOPDs

Effective date: **January 2026**

Medicare projected savings

CY 2026	\$220M
CY 2026 – CY 2035	\$8.3B

ASC-covered procedures and the inpatient only list

IPO list will be phased out over **three years**, beginning with the removal of 285 musculoskeletal procedures in CY 2026.

ASC-covered procedures expand:

- 289 added due to criteria changes
- 271 added due to IPO list changes

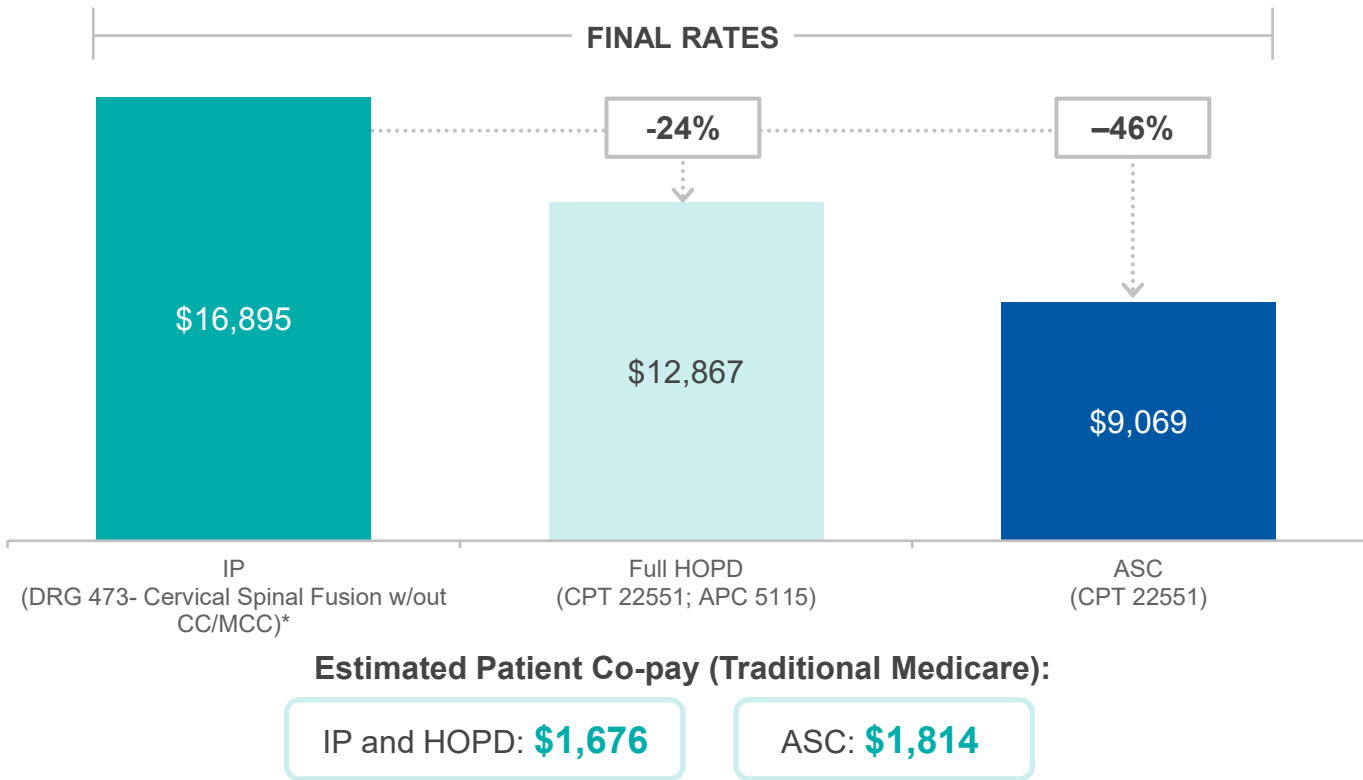
includes the addition of cardiac ablation and PCI procedures

Ambulatory pressure continues as restrictions are lifted and certain HOPDs are subject to reimbursement reductions.

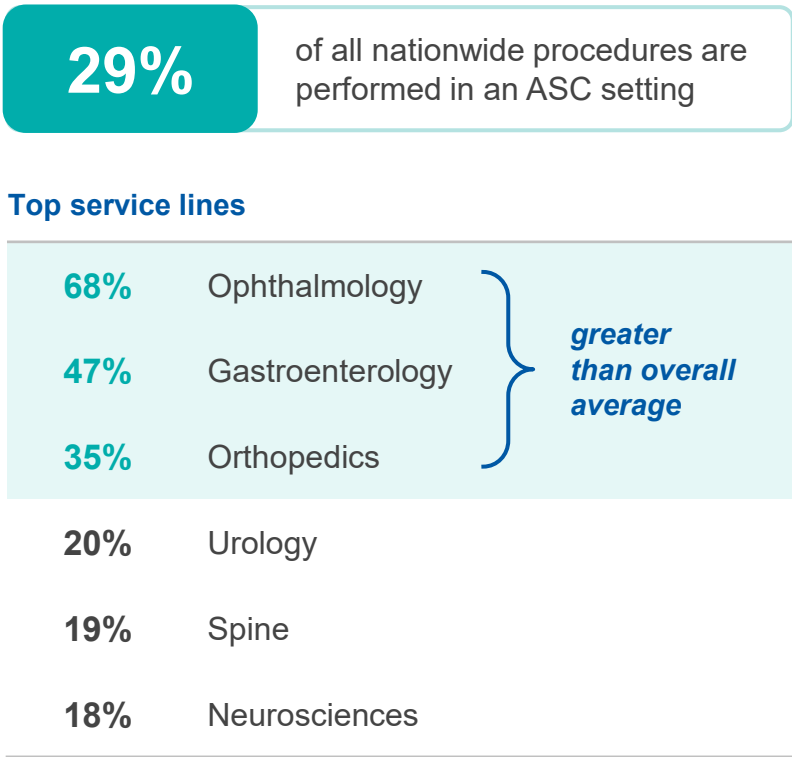
Abbreviations: ASC= ambulatory surgery center; CY= calendar year; HOPD= hospital outpatient department; IPO= inpatient only list; OPPS= outpatient prospective payment system; PCI= percutaneous coronary intervention. **Sources:** Centers for Medicare and Medicaid Services Newsroom, Calendar Year 2026 Hospital Outpatient Prospective Payment System and Ambulatory Surgical Center Payment fact sheet; OR Manager, analysis of CY 2026 proposed rule for ASC access, payment updates, and quality reporting; McDermott+Consulting, summary of the CY 2026 OPPS final rule; Vizient analysis 2025.

The continued shift to ambulatory combined with payment rate changes will impact health system financials

2025 Payment Difference from Inpatient
Medicare FFS – Spinal Fusion



In 2025, ASC migration is led by Ophthalmology, Gastroenterology, and Orthopedics.



Sources: Centers for Medicare and Medicaid Services, FY 2025 Inpatient Prospective Payment System final rule; Centers for Medicare and Medicaid Services, CY 2025 Hospital Outpatient Prospective Payment System and Ambulatory Surgical Center fact sheet; Vizient analysis 2025.

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Beyond ASCs, access challenges persist and may worsen as E&M and post-acute care demand grows

1

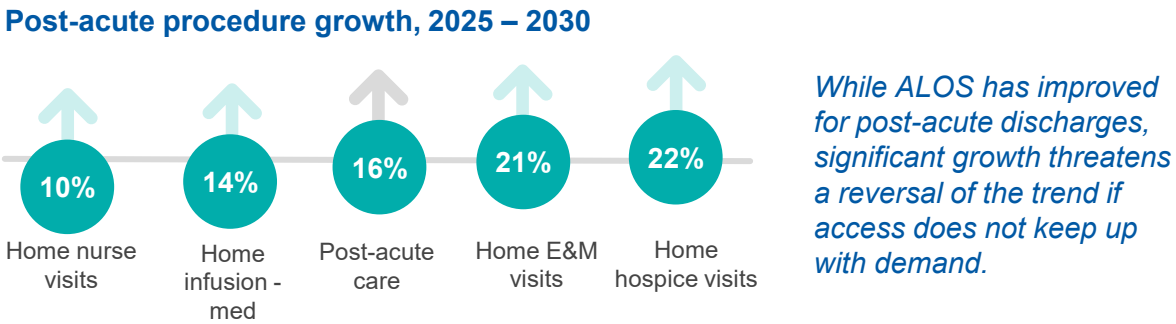
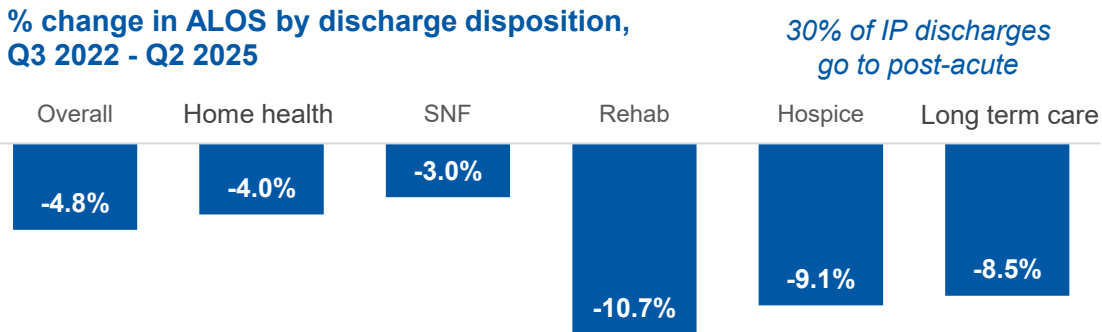
E&M visit access remains constrained, yet demand will continue to grow

Specialty*	New patient visit median wait time	% new patients seen w/in 10 days	2025 % telehealth	OP 5-year E&M growth
Primary care	23	44%	8%	12%
Neurology	55	25%	12%	8%
Cardiology	32	29%	4%	10%
Hematology/ oncology	17	40%	9%	7%
Overall E&M				10%

Underinvestment in primary care results in access constraints.
Access challenges for key clinical specialties also threatens growth.

2

ALOS for discharges to PAC is improving, but PAC is the highest growth OP care setting



Notes: Analysis for new patient access includes call age groups. All other analysis excludes 0-17 age group. Evaluation and management (E&M) visits are defined as visits-evaluation and management, established patient visits-in person, established patient visits-virtual, new patient visits-in person, new patient visits-virtual. Abbreviations: ALOS= average length of stay; ASC= ambulatory surgery center; E&M= evaluation and management; OP= outpatient; PAC= post-acute care.

Sources: AAMC-Vizient Clinical Practice Solutions Center and Vizient Clinical Data Base, used with permission of Vizient, Inc. All rights reserved; Impact of Change, 2025; Sg2 Proprietary All-Payer Claims Data Set, 2023; CMS Limited Data Sets (Carrier, Denominator, Home Health Agency, Hospice, Outpatient, Skilled Nursing Facility), 2023; Claritas Pop-Facts, 2025; Vizient analysis 2025.

The expanding cancer therapeutic landscape underscores innovation's impact on care and rising financial challenges

Oncology landscape

2024: 60+ FDA approvals, 11 first-in-class therapeutics

Near term

Advanced, novel therapy approvals (ADC, cell therapy) bring new combination regimens into earlier lines of therapy.

Long term

Advanced, targeted therapies will eventually replace traditional, conventional chemotherapy.

Immunotherapy innovation

Monoclonal antibodies
Cellular therapies
Cancer vaccines



Drug acquisition cost	\$373K-475K
Mean total cost of index procedure.....	\$400K-\$1M
Patient mean OOP cost	\$5,547
2026 FY IP base reimbursement	\$314,231



Cost recovery for providers is improved but still falls short of covering cost of treatment.



Partnership will be an important strategy for many providers to scale access to new therapeutics.

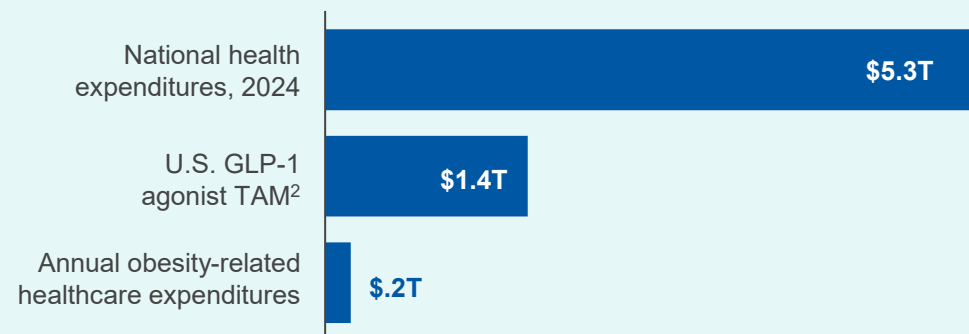
Abbreviations: ADC= anti-body drug conjugate; CAR-T= chimeric antigen receptor T-cell; FY IP= fiscal year inpatient; OOP= out of pocket; TCR= T-cell receptor; TIL= tumor-infiltrating lymphocyte. **Sources:** Association of Community Cancer Centers, The Economics of CAR T-Cell Therapy; PubMed-indexed study on out-of-pocket copayments for CAR T-cell therapy; American Journal of Managed Care, It's Time to Reimagine Reimbursement for CAR T-Cell Therapy; University of Arkansas for Medical Sciences, OnCore clinical trials system announcement; FDA oncology guidance document (2025); IQVIA Institute, Global Oncology Trends 2025; Journal of Personalized Medicine, Targeted Therapeutic Approaches for the Treatment of Cancer: The Future Is Bright, 2025; Vizient analysis 2025.

Therapeutic innovation demands a balance of cost and value, with benefits often extending beyond the primary condition

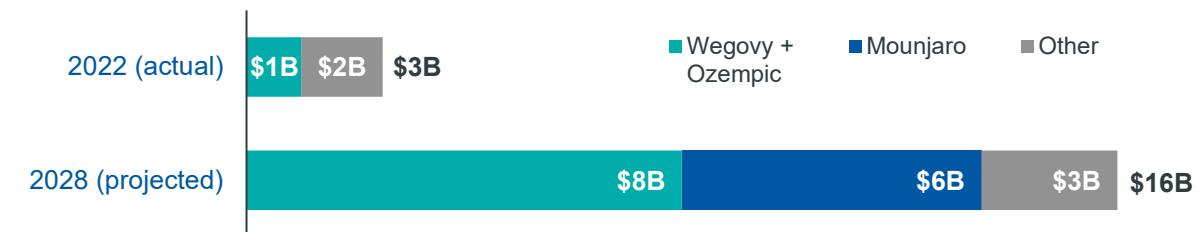
U.S. total addressable market for GLP-1 agonist weight-loss drugs

70M	Number of U.S. adults with obesity ¹
\$1.6K	Average retail price for one-month supply of Wegovy
\$1.4T	Annual cost if every U.S. adult with obesity prescribed a GLP-1 agonist

Comparing potential sales to current U.S. healthcare expenditures



Actual and projected drug sales for obesity treatments³



Potential consequences for health systems of weight-loss drug revolution



Reduced metabolic disease burden

Obesity is associated with increased heart disease, type 2 diabetes and hypertension



Reduced demand for surgeries

Heavier weight can exacerbate joint degradation, leading to more knee and hip replacements



Rise in diseases of advanced age

Cancer, Alzheimer's and other diseases of the elderly poised to grow

1. Defined as BMI of 30 or higher. 2. Total addressable market. 3. Excludes projected sales for diabetes treatment using these drugs.

Sources: CDC, Adult Obesity Facts; Global X, Diabetes management market analysis by A. Agosto; Gist Healthcare analysis; Vizient analysis 2025.



.....

3. Cost pressures are evolving, not easing; workforce shortages persist as drug, device and supply costs surge.

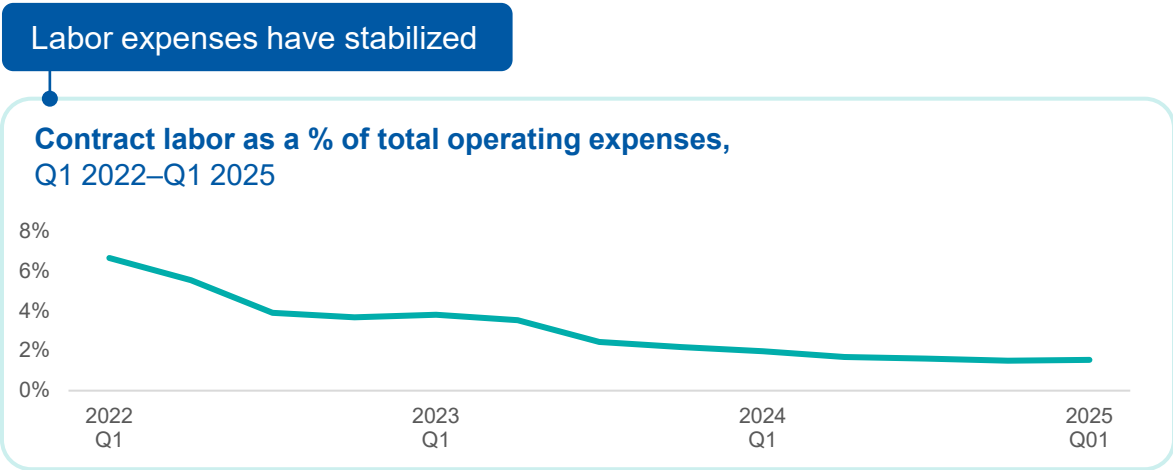
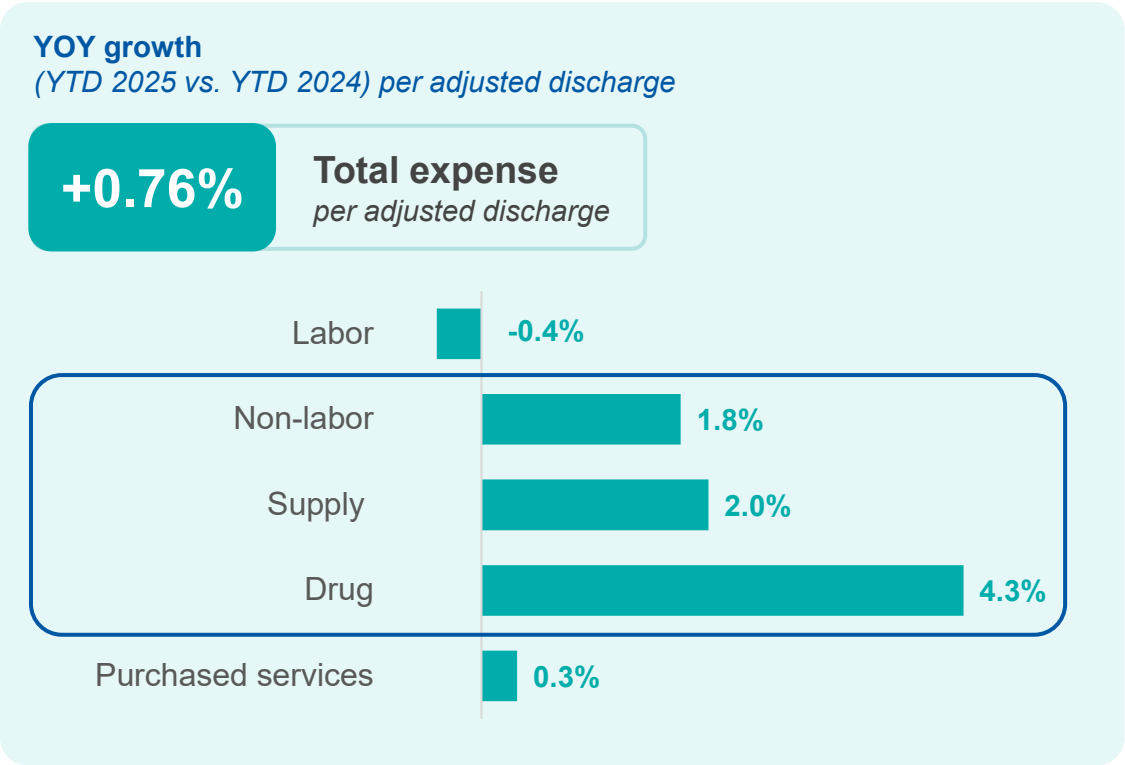
Health system cost pressures are being shaped by a new structural reality. Labor costs have stabilized, but at a permanently higher floor. At the same time, key workforce shortages across primary care, critical specialties, nursing and other essential roles are projected to accelerate, limiting capacity and pushing organizations toward redesigned care models and top-of-license staffing.

Alongside these labor dynamics, non-labor costs including specialty drugs, supplies and purchased services continue to rise faster than reimbursement and beyond what traditional mitigation levers can offset. To preserve margins in this environment, systems will need advanced analytics, scale-enabled efficiencies and disciplined, systemwide spend management to navigate sustained cost growth and build a more resilient operating model.

A higher labor cost floor, accelerating workforce shortages and rising non-labor expenses are redefining margin resilience.

Cost pressures are shifting as labor stabilizes at a higher baseline and rising supply and drug costs elevate non-labor expenses

External forces including rising raw material costs and the uncertainty in global trade highlight the need for resilient supply chain and spend management strategies.



Non-labor expenses are growing

Spend category	CY 2026 projected inflation
Medical products	+2.02%
Indirect spend and purchased services	+3.34%
Pharmacy	+3.35%
Specialty pharmacy	+3.80%

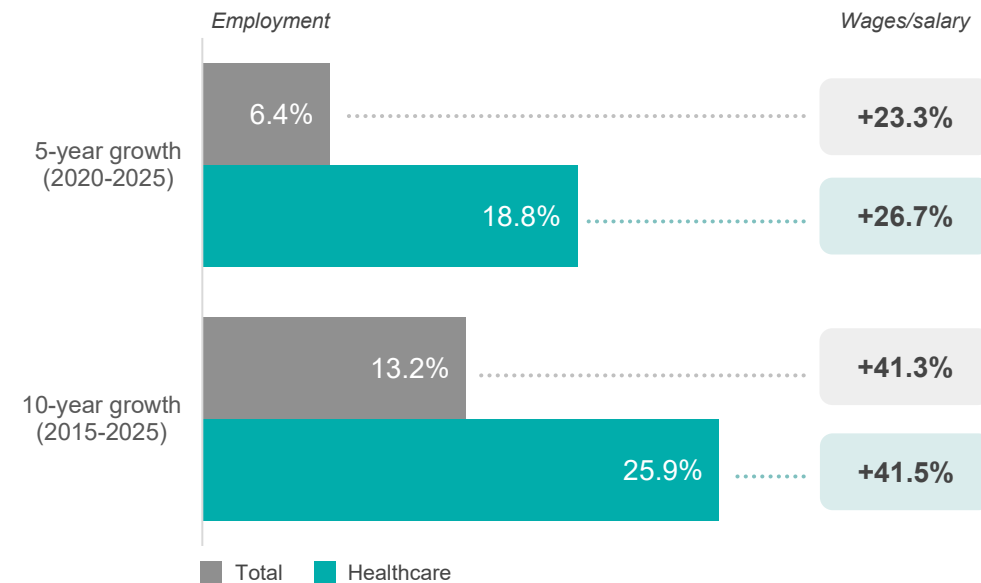
>75% of specialty pharmacy spend is concentrated in autoimmune/inflammatory, oncology and endo/metabolic

Abbreviations: CY= calendar year; YOY= year over year; YTD= year to date. Sources: Vizient Operational Data Base. All rights reserved. Accessed November 2025, Vizient Spend Management Outlook, Summer 2025,Vizient analysis 2025

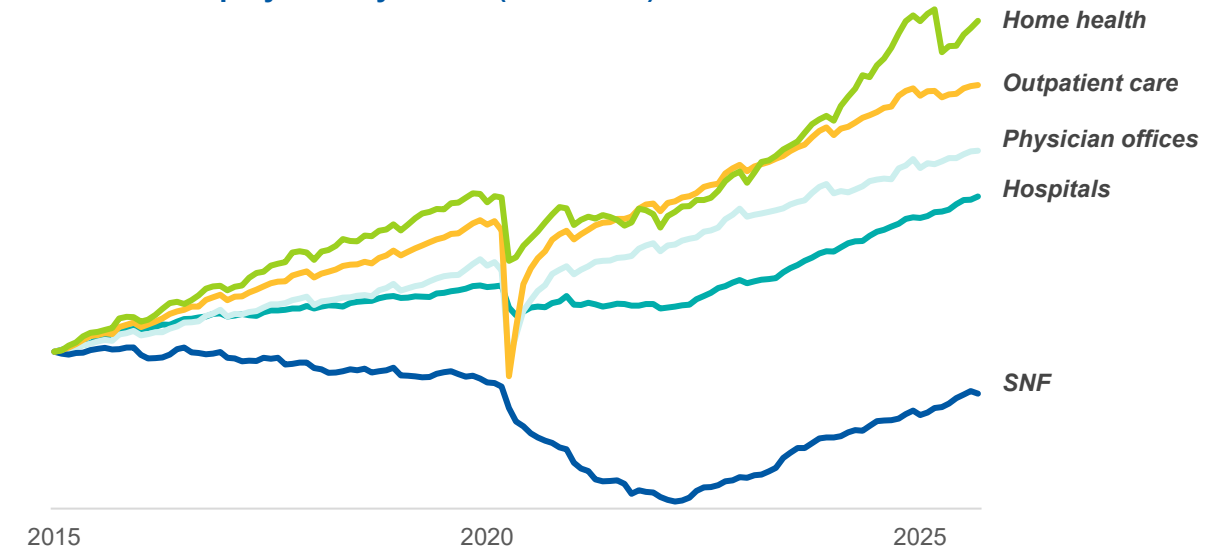
Healthcare remains the largest and fastest-growing employer, though wage growth continues to outpace employment growth

Healthcare is the largest employer in the U.S. and is growing faster than any other industry, though wages are growing faster

2015–2025 employment and wage/salary growth



Healthcare employment by sector (2015-2025)



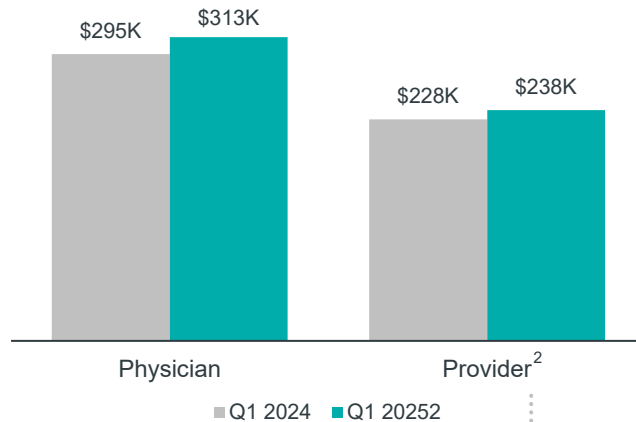
Growth is led by ambulatory and home health, while skilled nursing remains below pre-pandemic levels.

Sources: Bureau of Labor Statistics, Employment, Hours, and Earnings from the Current Employment Statistics survey (National); Federal Reserve Bank of St. Louis, Employment Cost Index for healthcare workers and private industry; Vizient analysis 2025.

Despite stabilization of labor costs overall, physician subsidies remain a challenge and continue to drive costs up

Health systems spending more money on physician subsidies

Median subsidy (loss) by FTE¹ provider type

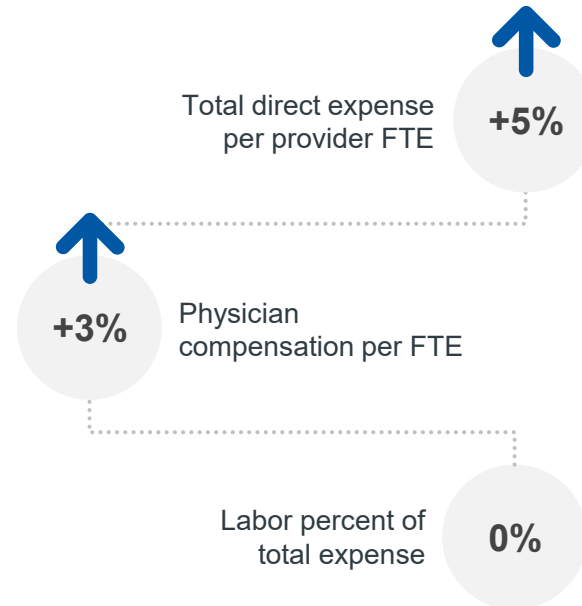


40.6%

APP³ percent of total provider FTE in Q1 2025

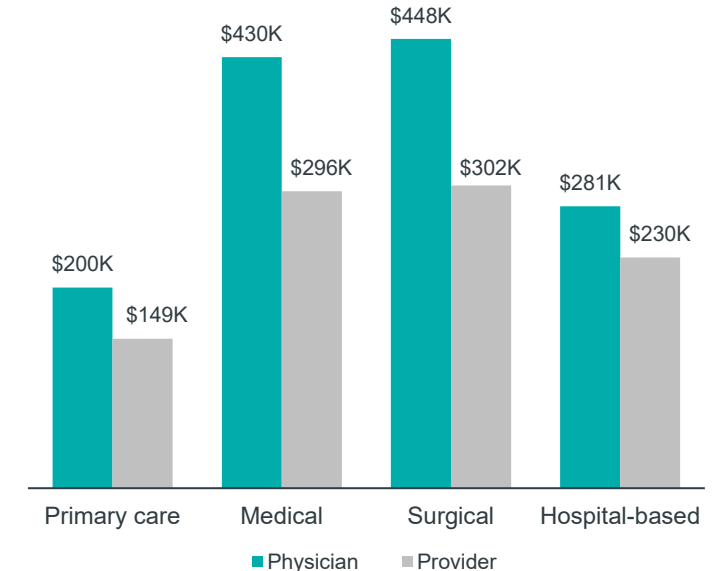
Rising expenses are a prominent factor

Percent change in provider expenses Q1 2024 to Q1 2025



Subsidies vary across specialties and provider types

Median subsidy per FTE by specialty and provider type: Q1 2025



1. Full time equivalent; 2. Includes physicians as well as nurse practitioners, physician assistants and certified registered nurse anesthetists; 3. Advanced practice provider.

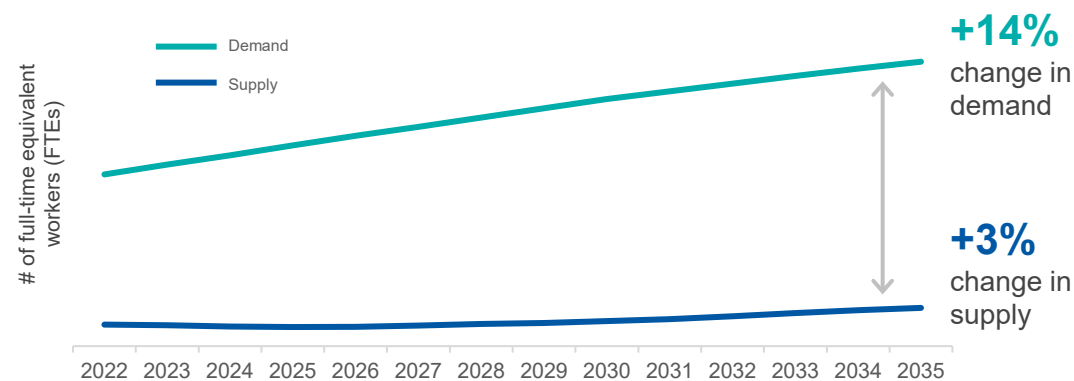
Sources: "Physician Flash Report: Q1 2025 Data", Kaufman Hall, May, 2025; Gist Weekly at Kaufman Hall analysis.

PCP shortages will expand while supply of primary care NPs becomes saturated, forcing top-of-license and care model redesign

Primary care physicians (PCP)

SHORTAGE

The primary care physician **shortages will increase** as the gap between supply and demand rises.



PCPs per population have been declining

2021..... 105.7 / 100K ppl

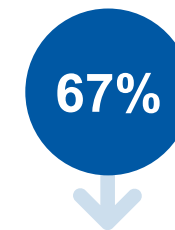
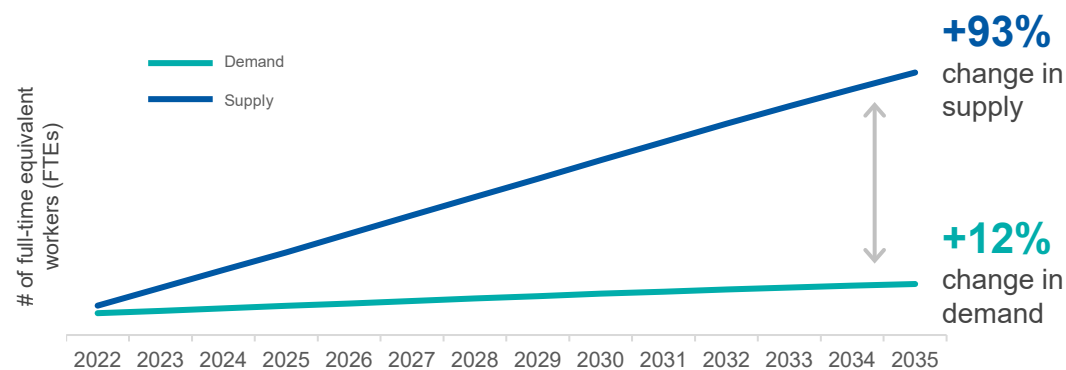
2022..... 103.8 / 100K ppl

<17% of all active physicians in 2022 were <40 years old

Primary care nurse practitioners (NP)

SURPLUS

The primary care nurse practitioner **supply will become saturated** as supply growth outpaces demand.



of a primary care physician's time is spent in direct patient care

Care optimization opportunity

Sources: HRSA National Center for Health Workforce Analysis workforce projections; Milbank Memorial Fund, The Health of U.S. Primary Care 2025 Scorecard; Physicians Foundation, U.S. primary care system disinvestment and chronic disease burden report; Dialog Health, healthcare staffing statistics; American Academy of Family Physicians, administrative time and scheduling guidance; Vizient analysis 2025.

In addition to primary care shortages, critical health workers will experience shortages to different degrees and burnout is rampant

100,000

is the expected shortage of critical health workers by 2028

Post acute care access limitations

46%

of nursing homes had to limit new admissions due to staffing shortages

20%

of facilities have closed sections or wings due to staff shortages

Provider burnout

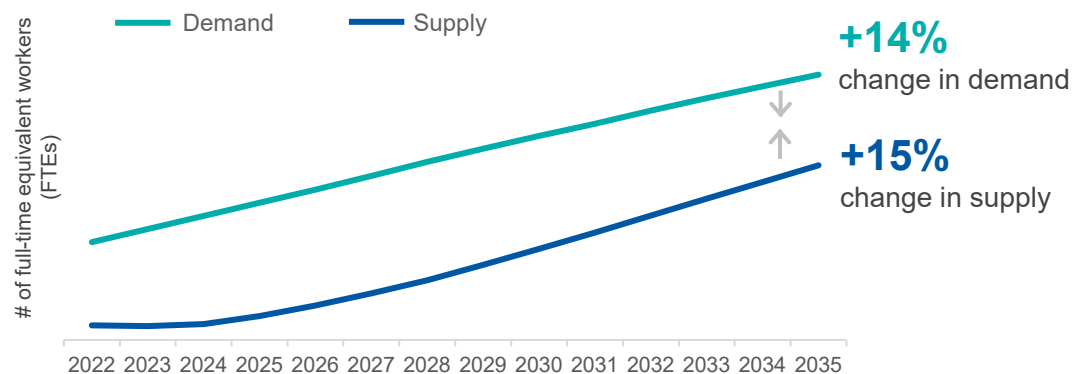
54%

of physicians report often experiencing feelings of burnout

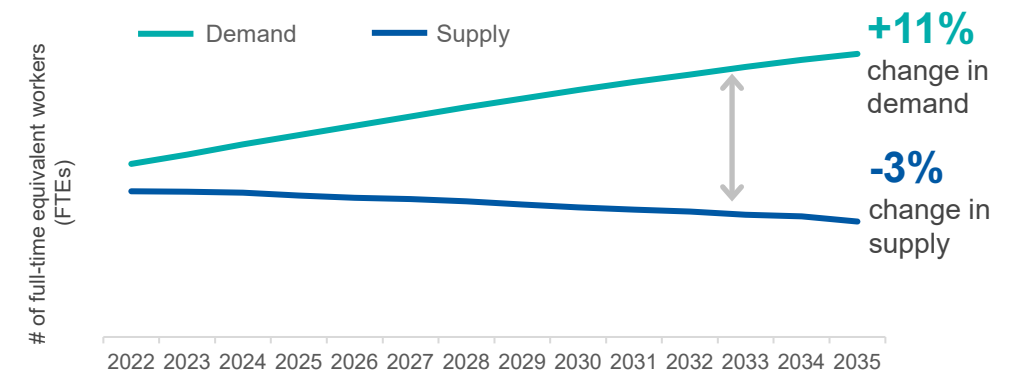
65%

of nurses report high levels of stress and burnout

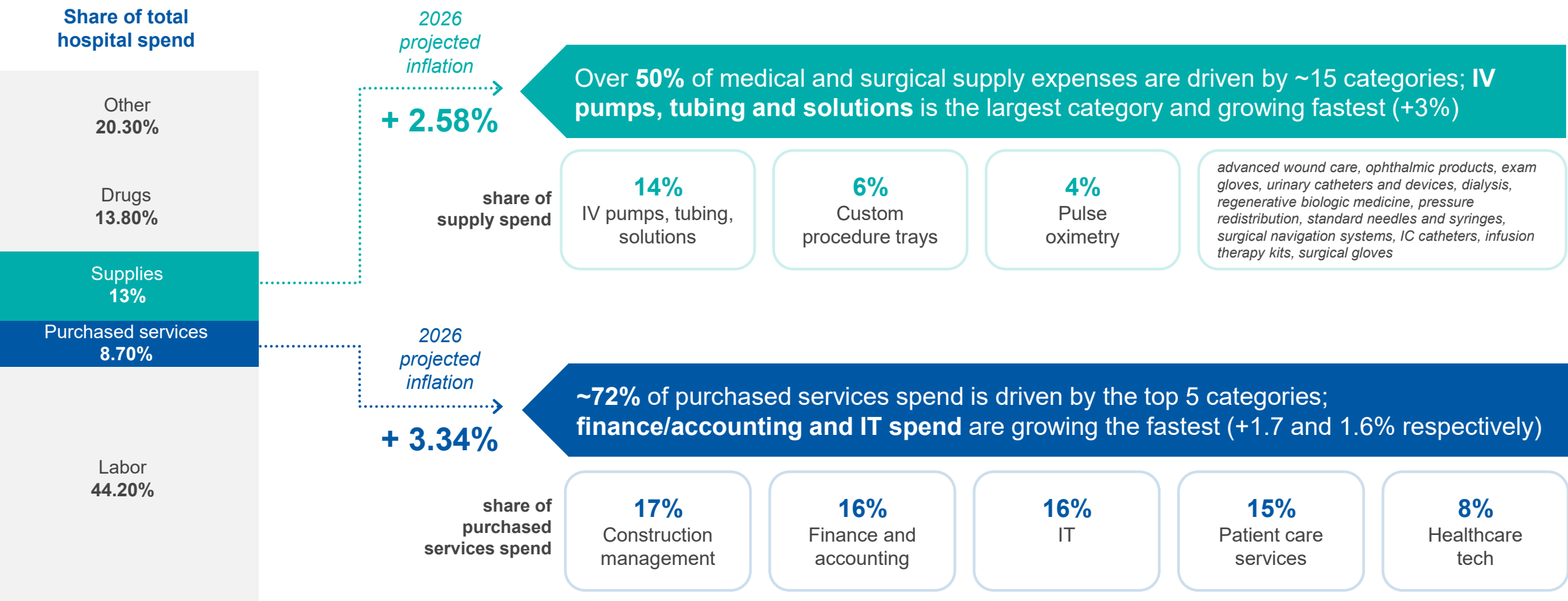
RN shortages are projected to increase, but moderate as supply growth exceeds demand growth



Diagnostic medical sonographer numbers will decrease as demand grows



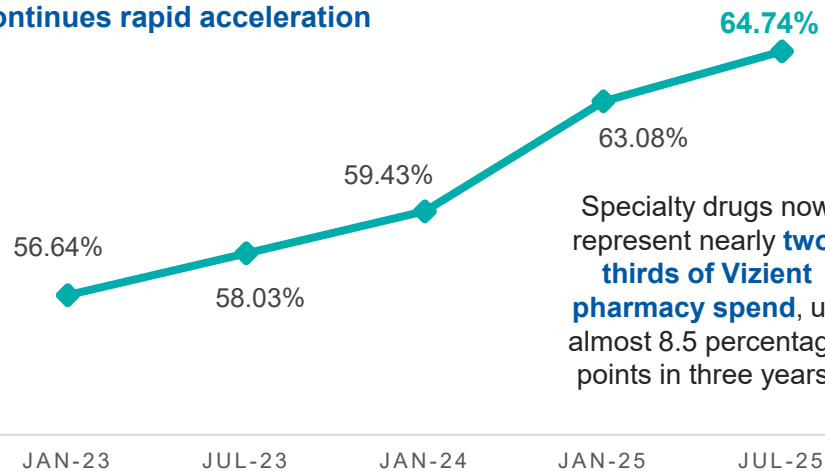
Supplies and purchased services are almost a quarter of hospital spend; high-volume, high-growth categories are key to manage



Sources: Vizient Summer 2025 Spend Management Outlook; Vizient Indirect Spend and Purchased Services Analytics fact sheet; Vizient Supply Analytics and Purchased Services Analytics; Vizient analysis of member cost report and general ledger data; American Hospital Association Costs of Caring; Vizient analysis 2025.

Specialty pharmacy spending has grown rapidly as new therapies emerge and the shift to ambulatory continues

Specialty pharmacy as a % of total pharmacy spend continues rapid acceleration

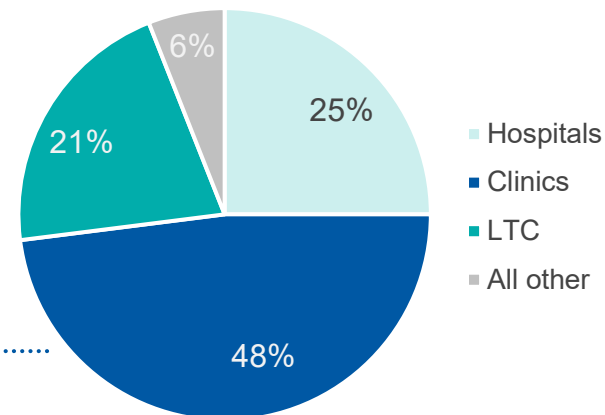


Specialty drugs now represent nearly **two-thirds of Vizient pharmacy spend**, up almost 8.5 percentage points in three years.

Drivers include:

1. Sustained uptake of **immunology and oncology** therapies
2. Expansion of **self-administered specialty drugs** and **GLP-1 class growth**
3. Ongoing **shift from acute to ambulatory and home-based infusion/retail specialty pharmacy models**

Share of non-retail provided drugs 2024*



Clinic medication usage has grown 16% since 2019, leading non-retail drugs overall and growing faster than other sites.

Immunology

+72%



Immunology drug growth 2019-2024

Cardiometabolic

+33%



GLP-1 CAGR 2019-2024 the fastest-growing prescription type for diabetes

Oncology

+13%



Growth in targeted and hormonal cancer treatments, led by oral medicines

Policy and pricing uncertainty (e.g., MFN, IRA, 340B) adds volatility

Abbreviations: CAGR= compound annual growth rate; LTC= long-term care. **Sources:** Vizient Spend Management Outlook; IQVIA Understanding the use of Medicines in the U.S. 2025; Vizient analysis 2025; *based on defined daily dose (DDD).



4. Market behavior evolves from large-scale M&A to include strategic, vertical and ecosystem partnerships.

Market behavior is undergoing a significant transition as traditional large-scale M&A moves to a broader set of partnership and integration strategies. Economic uncertainty, capital scarcity, regulatory scrutiny and political headwinds have slowed hospital megadeals and contributed to a rise in distressed transactions. At the same time, providers, payers, retail entrants and life sciences organizations are increasingly pursuing partnerships to expand sites of care, improve access and strengthen capabilities.

Vertical integration is reshaping competitive dynamics as wholesalers and distributors move upstream, MedTech and pharma deepen clinical collaboration, and private equity targets high-margin outpatient specialties. Integrated delivery strategies vary: some disrupters and payviders are retrenching while new transformation platforms such as HATCo and Risant scale value-based models through federated or tech-enabled approaches. Together, these shifts signal a move toward more agile, capability-driven structures in which partnerships, rather than consolidation alone, define growth, market positioning and competitive advantage.

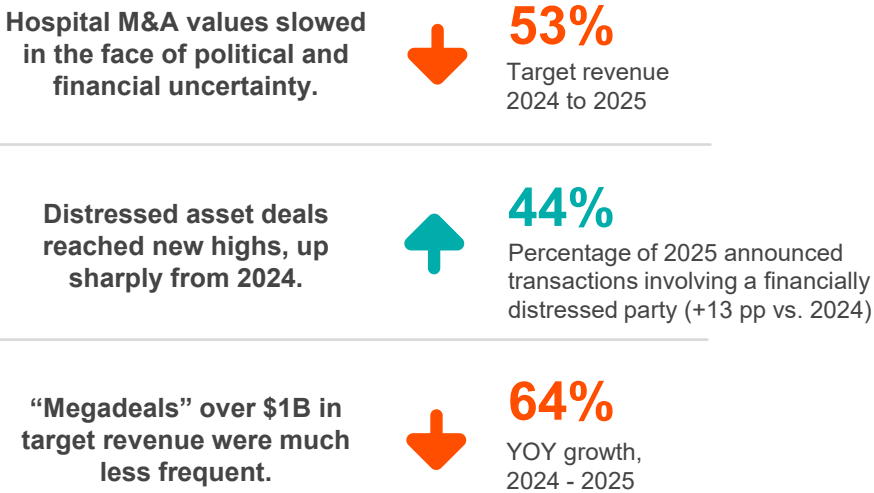
The new market advantage is ecosystem orchestration built around owned assets.

Hospital M&A has temporarily slowed in the face of policy and economic uncertainty; PE/for-profit investment in acute care shrinks

U.S. overall M&A and healthcare M&A rose in 2025

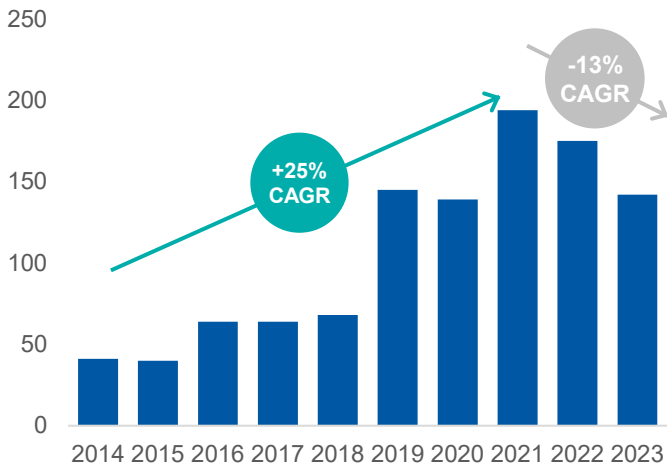


However, hospital M&A fell sharply, with more distressed deals and fewer megadeals



The number of PE and for-profit acute care hospitals continues to **shrink**, including some high-profile exits

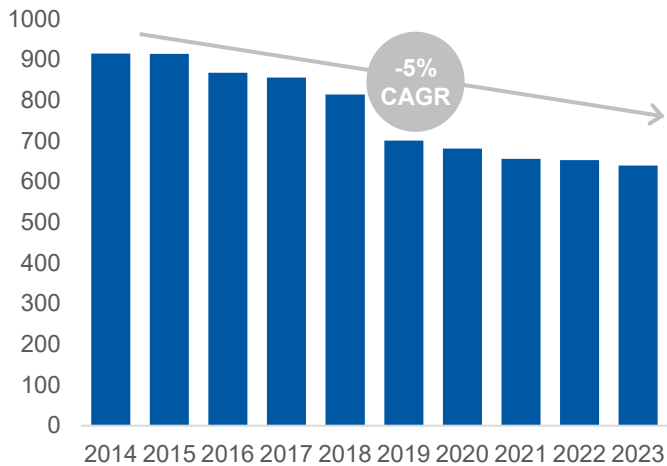
PE-owned short-term acute care hospitals



2024

Steward Health Care (formerly PE-owned) declared bankruptcy; most facilities transferred to new owners, but seven closed or reduced operations

For-profit short-term acute care hospitals



2025

Prospect Medical Holdings (formerly PE-owned) declared bankruptcy; divesting East Coast hospitals and closing two after failing to find a buyer

Abbreviations: CAGR= compound annual growth rate; M&A= mergers and acquisitions; PE= private equity; YOY= year over year; YTD= year to date; pp= percentage points.
Sources: Kaufman Hall hospital M&A dataset, EY/Dealogic, Scope Research, Definitive Healthcare; Vizient analysis 2025

Health system transformation platforms are reshaping how capital, technology and value-based care converge

Risant Health

Build a federated national system that scales value-based care, preserves nonprofit missions and brings Kaiser-level capabilities to community systems

- Kaiser, Geisinger, Cone Health
- Non-profit federation platform
- VBC + population health engine
- Community stability narrative
- Lower political risk
- Slow-but-steady scaling

hatco

Build a scalable, tech-enabled operating model that turns systems into high-performing, consumer-centric enterprises and export that playbook nationally

- Summa Health plus non-owned partners
- For-profit operating platform
- Tech + operational transformation engine
- Disruptive narrative
- Higher political/regulatory scrutiny
- Faster, more aggressive transformation

2025 was a **year of integration** for Risant after the acquisition of Cone Health; moving to launch of its value-based engine

2025
updates

Ambition became operational reality as HATCO **finalized its acquisition** of Summa Health in 2025 and became the first venture capital-backed hospital operator

Both move beyond aspiration and acquisition into **platform-building + execution**

Sources: Vizient analysis 2025.

Health systems continue to invest in ASCs and outside of acute care, regardless of system type

Acension

AMSURG

- \$3.9B deal for AmSurg's 250+ ASCs across 34 states; scales Ascension's ASC footprint 5x
- Reinforces ASC growth and the site of care shift to lower-cost settings
- Breaks from the JV/partnership model other systems have used to scale capacity quickly



Emphasizes ASC's vital role and growing need for systems to lead the outpatient shift

Tenet Health

United Surgical Partners INTERNATIONAL

- \$250M to be deployed toward ASC expansion annually; scales Tenet's USPI ambulatory platform
- Positions to capitalize on the continued shift of high acuity procedures into the more profitable outpatient setting
- Supports scale supports scale with economic returns through partnership



Emphasizes the significant growth capture opportunity in the ambulatory setting

Cleveland Clinic

Regent Surgical

- Focus on scaling access to care while preserving quality and maintaining delivery efficiency
- Expects to lower expenses for payers and patients through shift to lower cost setting
- Regent's expertise in managing and operating ASCs was a partnership focus



Emphasizes the importance of core competency focus in ambulatory expansion

Abbreviations: ASC= ambulatory surgery center; JV= joint venture. **Sources:** PitchBook; CapIQ; Becker's Hospital Review, Ascension's \$3.9B outpatient and ASC strategy; Becker's ASC Review, Ascension acquisition of 250 ASCs; Wall Street Journal, Walgreens-Sycamore Partners transaction coverage; Fierce Healthcare, General Catalyst's HATCo Summa Health deal; Cleveland Clinic partnership with Regent Surgical Health for ambulatory surgery centers; Tenet Q3 2025 Financial Report; Definitive Healthcare; Vizient analysis 2025.

Growth in ASC and home-based care will continue, driven by policy shifts, demand, M&A activity and consumer choice

22% ASC procedural growth 2022-2024



Ophthalmology, GI and ortho are service lines with the most surgical utilization in ASCs

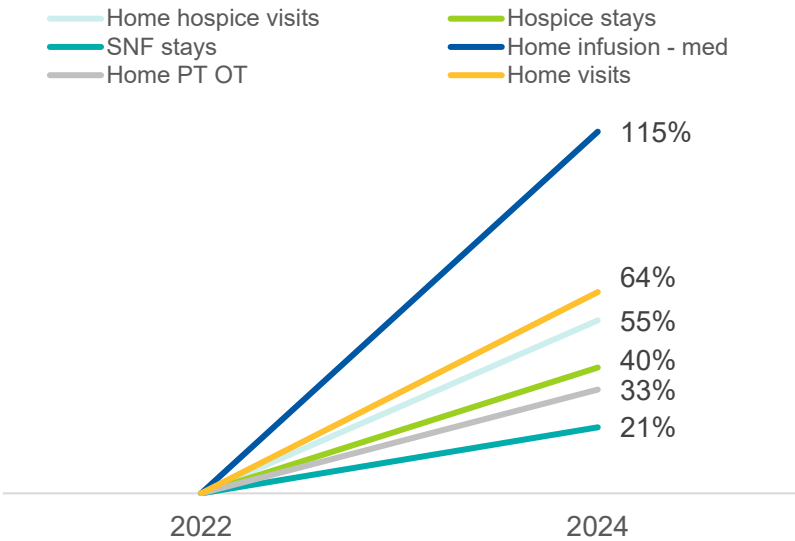


34% freestanding ASCs controlled by chain operators (USPI, SCA) that are rapidly scaling networks through acquisitions and JVs



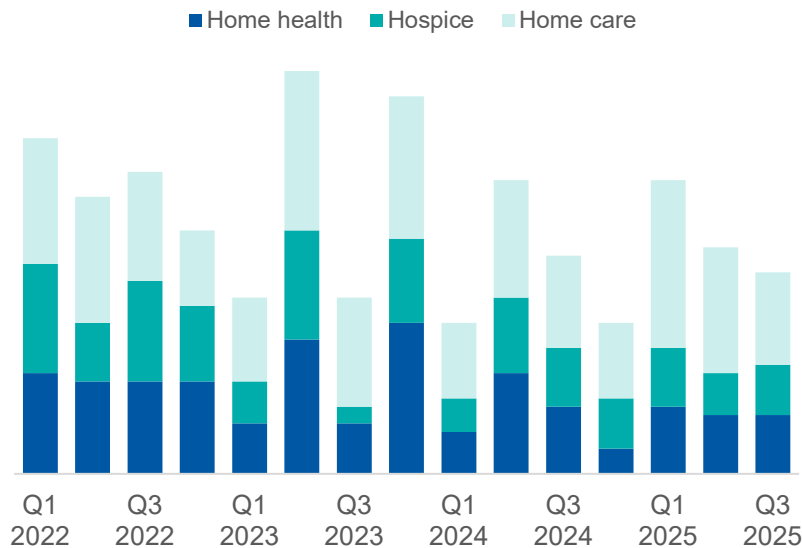
\$19.7B in 2024 PE firms are consolidating ASC platforms, reshaping ownership, referrals and competitive dynamics in fast-growing markets

Historical home-based care procedure growth, 2022-2024



Historical growth illustrate significant growth in home infusions (non-chemotherapy), home visits and home hospice visits. As the population ages and wishes to remain at home, future demand will grow.

Home-based care transactions by quarter



M&A activity in the home-based care space has been mixed, and reflects activity by private equity, payers pursuing vertical integration and consolidation among home-based care providers.

Abbreviations: ASC= ambulatory surgery center; JV= joint venture; M&A= merger and acquisition; PE= private equity. **Sources:** Sg2 Proprietary All-Payer Claims Data Set, 2023; CMS Limited Data Sets (Carrier, Denominator, Home Health Agency, Hospice, Outpatient, Skilled Nursing Facility), 2023; Claritas Pop-Facts, 2025; Becker's ASC Review, ASC consolidation by the numbers; Healthcare Finance News, Ambulatory surgery centers expand as revenues and investments surge; Mertz Taggart, Q3 2025 Home-Based Care M&A Report; Vizient analysis 2025.

Beyond ASCs, JVs and partnerships are an increasingly attractive alternative to traditional M&A

Benefits of JVs/partnerships vs. traditional M&A

- Faster path forward
- Capital-light growth
- Retain operator expertise

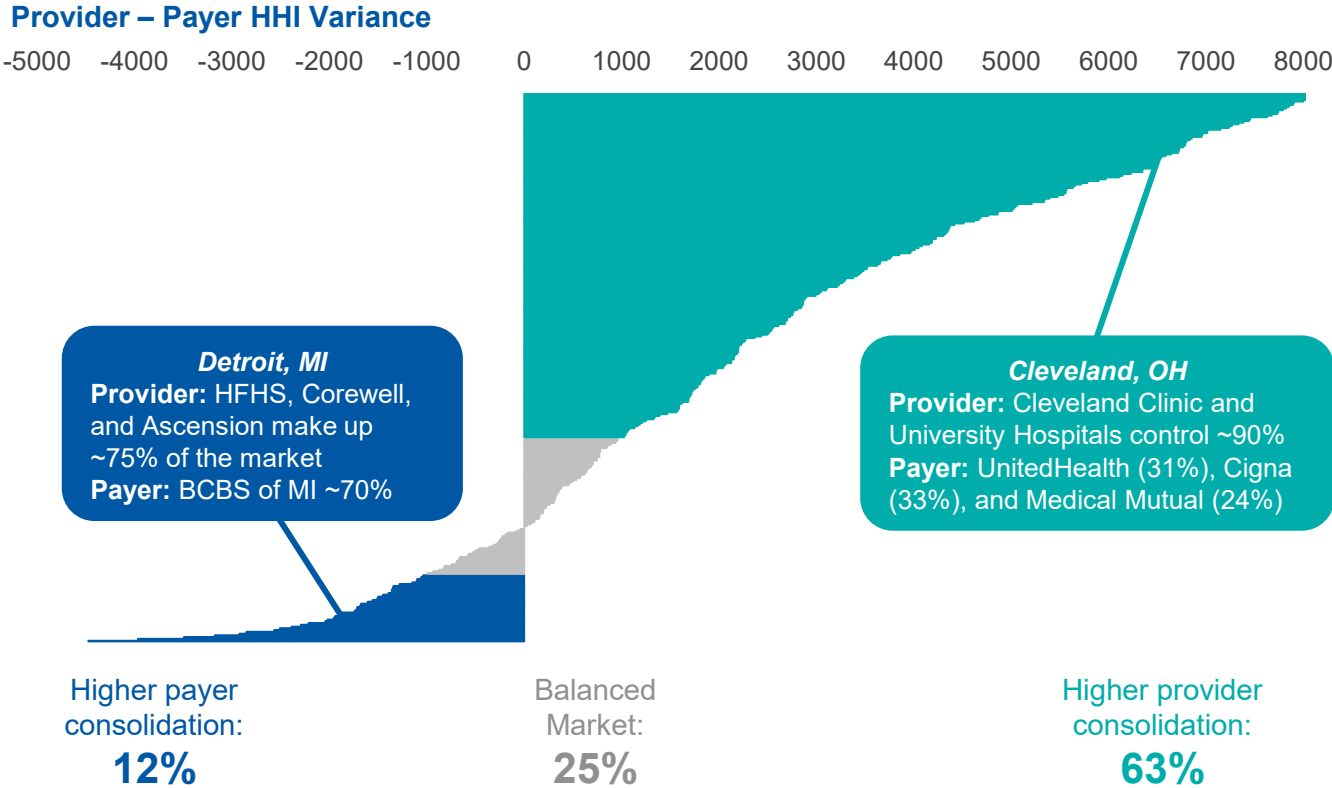
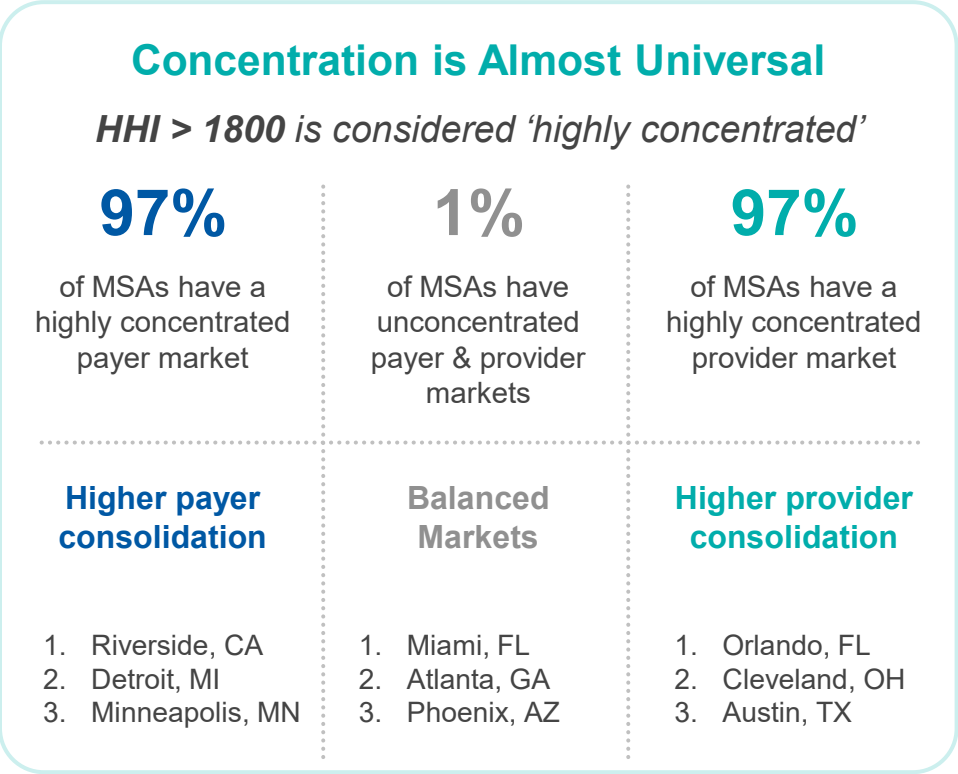
Added complexities

- Less control
- Governance
- Exit path
- Limited upside
- IT/data integration

Imaging JVs	Behavioral health	Laboratory services	Urgent care/hybrid ER
<p><i>BJC HealthCare</i> + <i>OIA</i></p> <p>Agreement to form outpatient diagnostic imaging JV</p> <hr/> <p><i>Medical University of South Carolina</i> + <i>OIA</i></p> <p>JV to expand ambulatory imaging across the MUSC service area</p> <p><i>Expanding OP imaging access and convenience</i></p>	<p><i>Henry Ford Health</i> + <i>Acadia</i></p> <p>Accelerated build and operational expertise for new acute behavioral health hospital</p> <hr/> <p><i>Baylor Scott & White</i> + <i>Geode</i></p> <p>Rapidly expands outpatient access with in-person and hybrid care</p> <p><i>Accelerating growth and access</i></p>	<p><i>Corewell Health</i> + <i>Quest Diagnostics</i></p> <p>Build new 100,000-square-foot facility and optimize operations of 21 existing labs</p> <hr/> <p><i>Inspira Health</i> + <i>labcorp</i></p> <p>Operational partnership; Labcorp to take over operations of three labs</p> <p><i>Often 'divest and operate' agreements</i></p>	<p><i>UPMC</i> + <i>GoHealth Urgent Care</i></p> <p>Expands access to urgent care through 81 GoHealth locations</p> <hr/> <p><i>Baptist Health</i> + <i>Intuitive Health</i></p> <p>Co-development of hybrid ER and urgent care center</p> <p><i>Add reach with fast scale and development</i></p>

Abbreviations: ASC= ambulatory surgery center; JV= joint venture; M&A= merger and acquisition; OP= outpatient. **Sources:** Outpatient Imaging Affiliates and BJC HealthCare outpatient diagnostic imaging joint venture; Outpatient Imaging Affiliates and Medical University of South Carolina radiology joint venture; Acadia Healthcare and Henry Ford Health partnership announcement; Baylor Scott & White Health and Geode Health statewide outpatient mental health partnership; Corewell Health and Quest Diagnostics laboratory services joint venture; Labcorp and Inspira Health strategic laboratory operations agreement; GoHealth and UPMC joint venture and rebranded urgent care centers; Baptist Health and Intuitive Health emergency room development partnership; Vizient analysis 2025.

Both payer and provider markets have consolidated, though the degree of concentration will shape payer-provider dynamics



Sources: AMA, Competition in Health Insurance report, 2024; AMA, Policy Research Perspectives—Competition in Hospital Markets, 2013–2021 (Guardado, J.R.); FTC and DOJ Merger Guidelines; U.S. Census Bureau metropolitan statistical area population data; Internal Vizient analysis 2025.

Health insurance M&A in 2025 led by reshuffling of focus, scale in government programs and expanding regional partnerships

Major carriers reshuffle focus across lines of business

HCSC

The Cigna Group

HCSC finalizes acquisition of CIGNA's Medicare business

\$4.9B

Brings HCSC to 4.3 million MA lives nationally and refocuses CIGNA's insurance business on commercial plans

CIGNA's insurance business now makes up ~16% of its total revenue with its Evernorth business producing the remainder, showing focus on pharmacy and care coordination

CIGNA announced the planned sale of its Evernorth Care Group clinics in Phoenix to HonorHealth

Government programs seek scale amid challenges and pending headwinds

CareSource acquires Medicaid and other government focused plans:

- *Commonwealth Care Alliance (MA)*
- *ElderServe Health (NY)*
- *Common Ground (WI)*
- *Lakeland Care (WI) Planned*

CareSource

Molina Healthcare

Molina acquires MA and exchange focused ConnectiCare (NY) for \$350 million

Humana

In a departure from peers, Humana agrees to acquire Florida based retirement community clinics, The Villages Health for \$50 million via its CenterWell arm

**CenterWell makes up ~15% of Humana's 2025 revenues*

Regional plans scale through creative partnerships

Kaiser plans to buy majority share of Renown Health's Hometown Health as part of new JV

Kaiser Permanente

Hometown health

Sanford Health Plan and Security Health Plan operate under common management structure as part of Marshfield Clinic-Sanford integration

Sanford Health

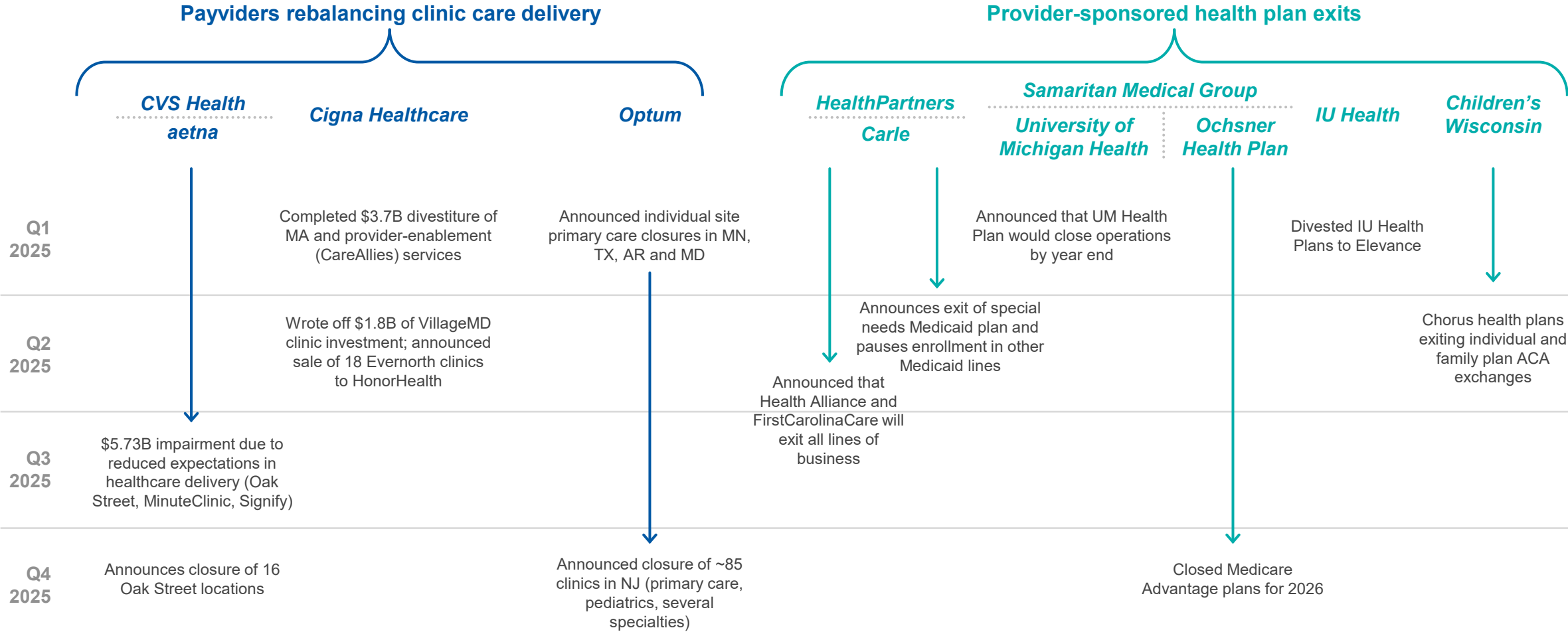
Marshfield clinic

Priority Health becomes governing member of Group Health Cooperative of Eau Claire

Priority Health

Abbreviations: JV= joint venture; M&A= merger and acquisition; MA= Medicare Advantage. **Sources:** Cigna Q3 earnings report; Becker's Hospital Review, HonorHealth acquisition of Cigna's medical group; Humana earnings report; Becker's Payer, early 2025 payer M&A activity; Vizient analysis 2025.

Payer challenges cause structural retrenchment as PSHPs retreat or consolidate and payviders prune and rationalize clinic strategies



Abbreviations: ACA= Affordable Care Act; MA= Medicare Advantage. **Sources:** Modern Healthcare, Cigna–HonorHealth–Evernorth Care Group transaction coverage; Ascension, agreement to acquire AMSURG; Carle Health announcement on regional individual and group insurance plans; Healthcare Dive, Evernorth–Shields specialty pharmacy investment; JUCM, Optum executives' perspectives on urgent care centers; Vizient Analysis 2025.

Other disruptors capitalize on consumer dissatisfaction and recent trends point toward growth in non-health plan approach

Optum

Optum leads the competition and has **expanded its reach** across nearly every service line, **yet overall volume capture is on the decline** amidst a new refocus on optimization.

Agilon Health

Agilon has steadily **strengthened its position** in the fast-growing areas of primary care and behavioral health.

Ivy Rehab

Ivy Rehab continues to **anchor musculoskeletal** care with a substantial **volume increase**.

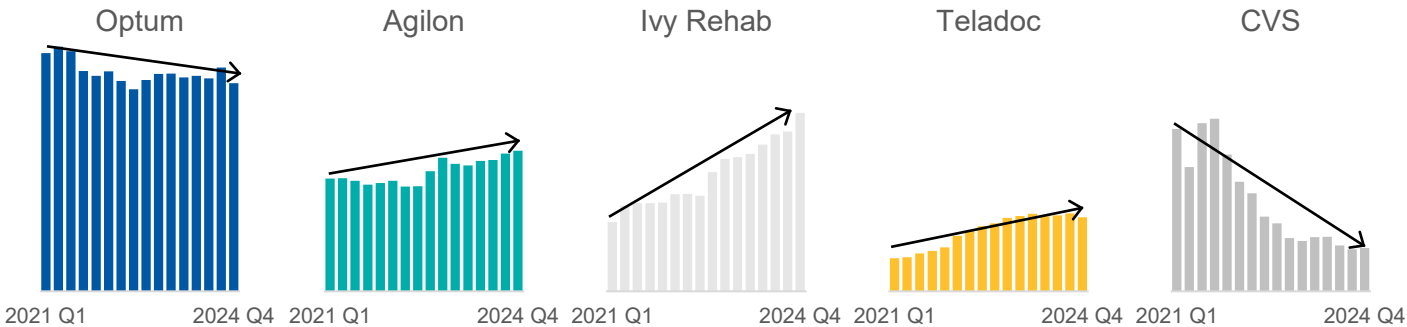
Teladoc Health

Teladoc has **steadily grown in medicine share** though overall volumes remain low.

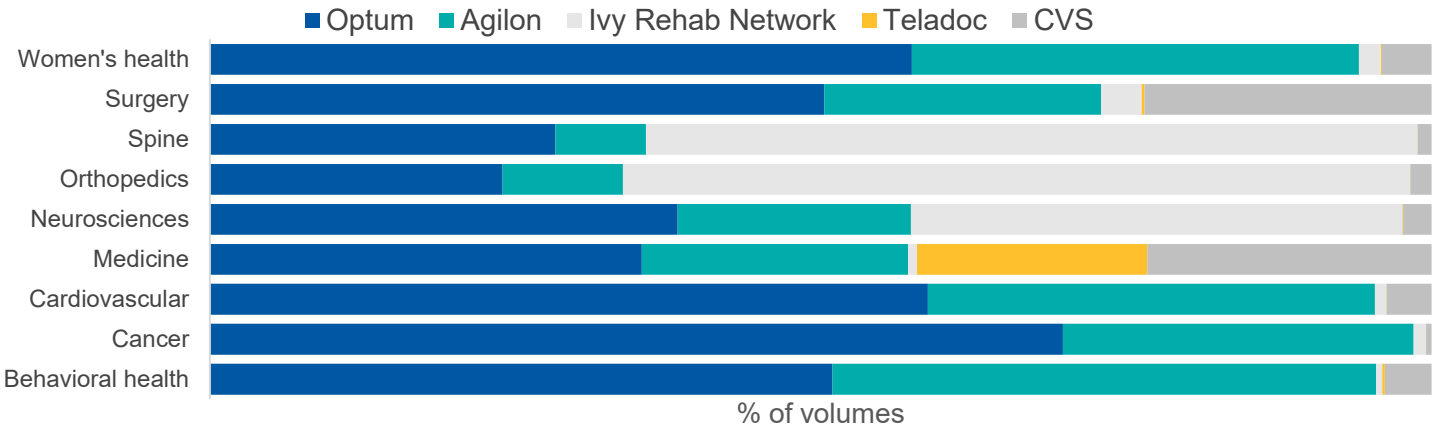
CVS

CVS's **declining share** highlights the limitations of retail strategies without deeper clinical integration.

Disruptor volume capture, Q1 2021 – Q4 2024



Top 5 disruptor volume capture across service lines



Sources: Sg2 All-Payer Claims Dataset, 2025; Vizient Analysis 2025.

Private equity and retail disruptors continue to invest in areas where they see growth and profitability led by ambulatory care

Amazon continues One Medical expansion.

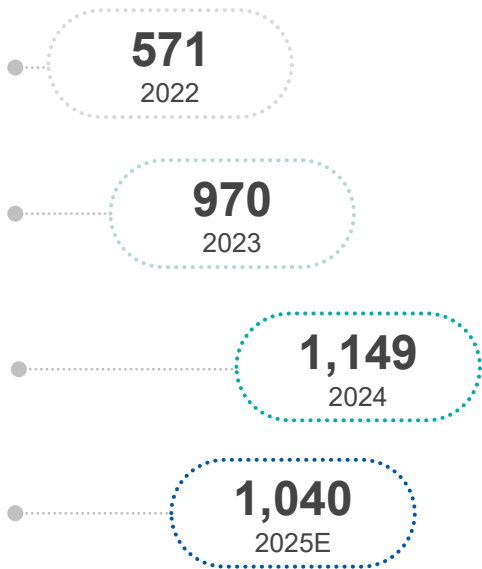
Amazon one medical

Tech-enabled hybrid primary care with ~210 locations and streamlined pharmacy integration.

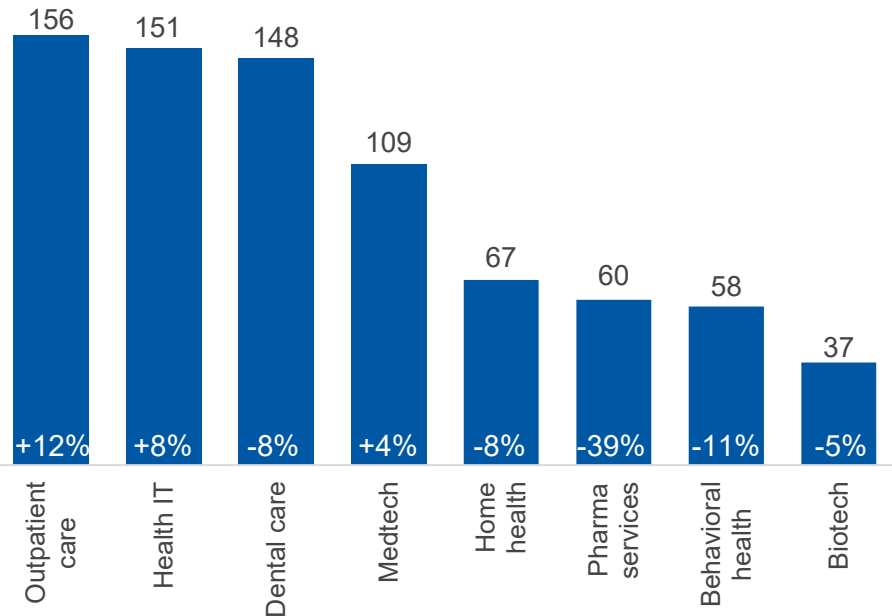
- **Entering markets with health system partners**
 - Montefiore Health System
 - Cleveland Clinic
 - Hackensack Meridan
- **Streamlined pharmacy integration**
 - Mail delivery of low-cost generics
 - Launching kiosks enabling post-visit pickup of medications
- **Expanded virtual care growth and assets**
 - Pay-per-visit telehealth; added pediatrics option in October 2025
 - Subscription options also available through Prime

Though slightly down from its peak, PE investment remains high, including growth in outpatient care.

PE HC acquisitions by year

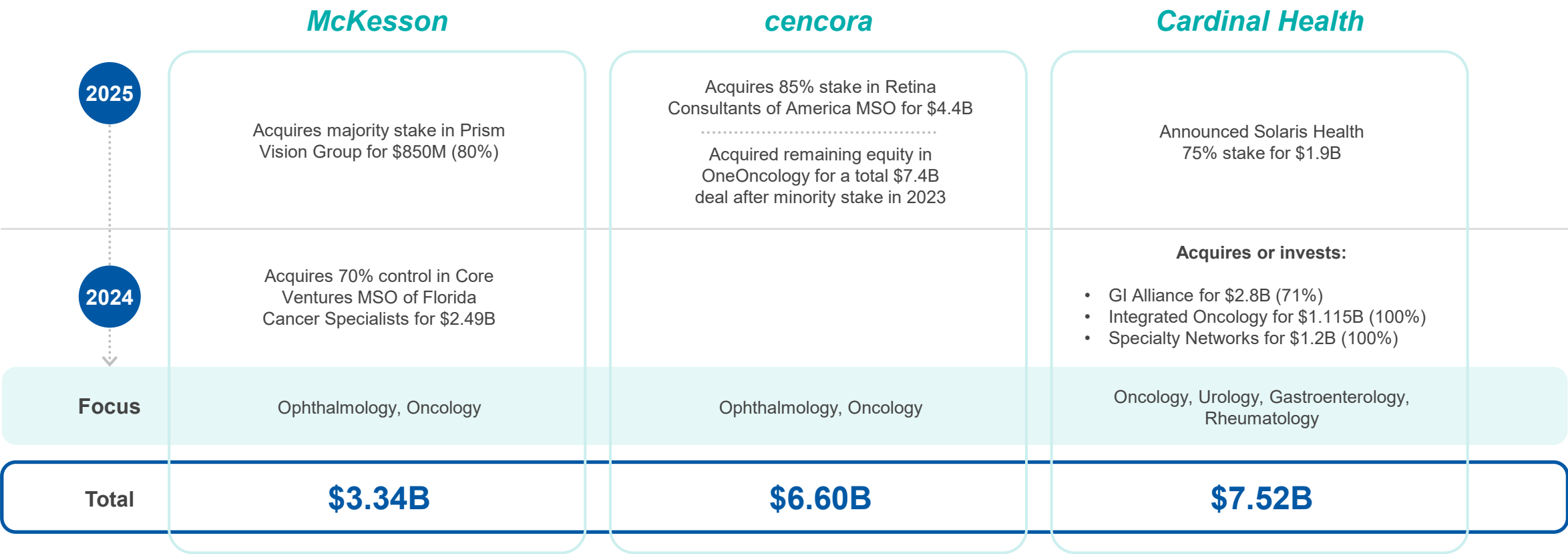


Top segments (2025E) and growth vs. 2024



Abbreviations: HC= healthcare; PE= private equity. Sources: Private Equity Stakeholder Project as of Dec 5, 2025; One Medical Press Releases; Vizient Analysis 2025.P

As payviders pull back, distributors & wholesalers move upstream into clinics tied to “buy and bill” drugs with high margins



Drugs and drug administration represent ~69% of total charges across the acquired medical groups

Sources: McKesson acquisition of Prism Vision Holdings; Florida Cancer Specialists and Core Ventures collaboration with McKesson; Fierce Healthcare, AmerisourceBergen/TPG acquisition of OneOncology; Cencora acquisition of Retina Consultants of America; Cardinal Health portfolio expansion announcements; Kirkland & Ellis representation of Integrated Oncology Network sale to Cardinal Health; Sg2 Proprietary All-Payer Claims Data Set, 2024-2025; CMS Limited Data Sets (Carrier, Denominator, Home Health Agency, Hospice, Outpatient, Skilled Nursing Facility), 2023; Claritas Pop-Facts, 2025; ;Vizient analysis 2025.

Major pharmaceutical and MedTech companies also embrace ecosystem orchestration via expanded partnerships as a strategy

As employers struggle with high-cost drugs, major pharmaceutical companies launch **direct-to-employer offerings** and new platforms emerge.

Eli Lilly will launch a direct-to-employer GLP-1 model in 2026 that includes flexible benefit design options for obesity care, a dedicated pharmacy network with transparent pricing and customized obesity management programs.

Novo Nordisk partnering with Waltz Health for an obesity medication access model directed at employers.

Peek

Waltz Health

**Cost Plus Drugs +
9amHealth**

New platforms emerge to bring high-cost specialty drugs direct-to-employer supported by telehealth and disease management programs.



Expect similar models around other high-cost biologics

MedTech places bets on AI and data integration to expand **commercial partnerships** with providers.

Siemens Healthineers continues “value partnerships” that combine equipment, digital platforms and AI to optimize performance.

GE HealthCare expands its Edison AI platform and announced a \$2.3 billion acquisition of Intelrad to deepen its health ecosystem across inpatient and outpatient imaging.

Medtronic is building the AiBLE ecosystem and partnering with Siemens Healthineers to integrate imaging into the spine surgery platform.

J&J Medtech launched Polyphonic an open digital ecosystem for surgery that’s data source agnostic and pairing it with NVIDIA and AWS to scale AI apps for surgery.

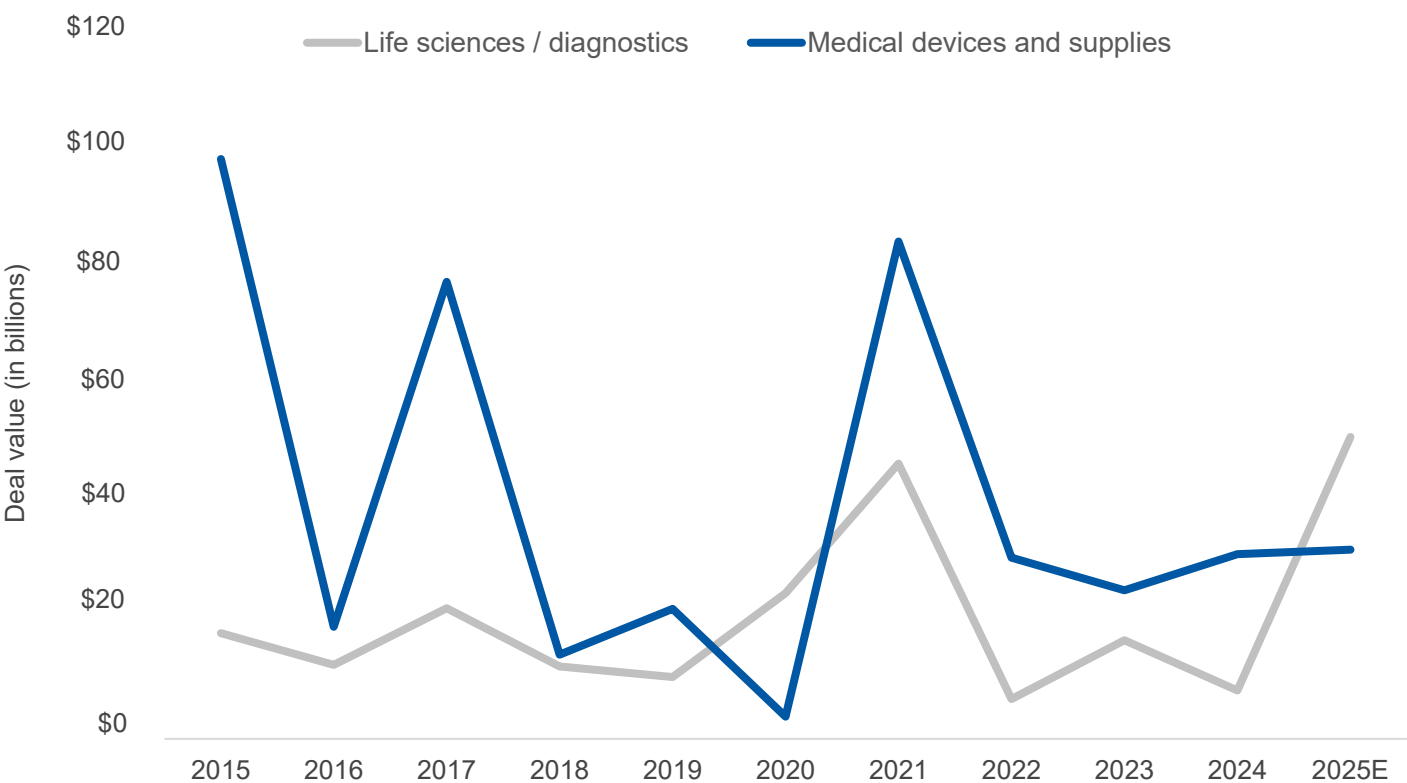


Lock in workflows + data, then **expand upstream/downstream**

Sources: Becker’s Payer; Fierce Healthcare; Reuters; eMarketer; Eversana; Waltz Health; Healthcare Finance News; Peek Healthcare Technologies; PeekMeds; 9amHealth; Cost Plus Drugs; Siemens Healthineers; GE HealthCare; Medtronic; Johnson & Johnson MedTech; Vizient analysis 2025.

In addition to partnerships, traditional M&A increased sharply in 2025 for life sciences on the strength of two \$15B+ megadeals

U.S.-based M&A announced deal value



Abbott

Exact Sciences

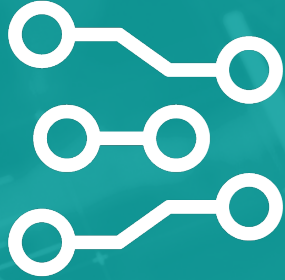
\$21B acquisition for cancer-screening leadership with high-margin diagnostics (Cologuard and Oncotype DX)

Waters

BD

\$17.5B deal combining BD's Biosciences & Diagnostic Solutions with Waters diagnostics and testing solutions

Together, these two deals represent **70%+** of the 2025E total for life sciences.



5. AI is the next major lever offering real potential to reduce waste and transform operations.

AI is emerging as a powerful lever for reducing waste and strengthening performance across the healthcare system, but its real impact depends on thoughtful integration, governance and workflow redesign. While administrative automation offers immediate return on investment, clinical applications remain early stage and require more rigorous validation and alignment with care delivery workflows. Leveraging AI for clinical innovation is the real future value.

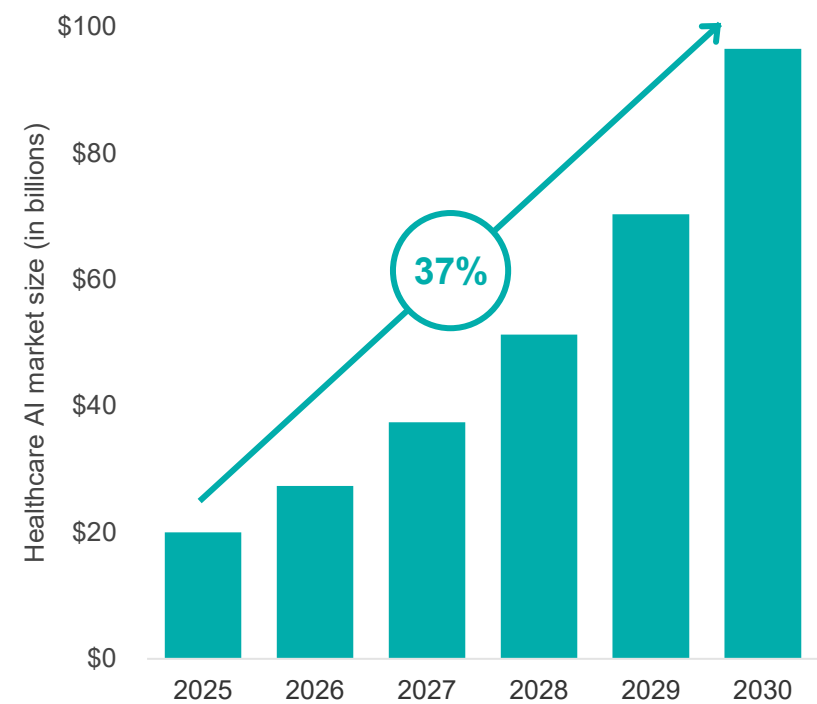
Meanwhile, payers and life sciences organizations are rapidly adopting AI to improve utilization management, accelerate drug development and optimize commercial operations, raising expectations for data quality and collaboration across the ecosystem. A widening divide is forming between organizations investing in the infrastructure, talent and governance required for system-level AI operating models and those implementing isolated pilots that struggle to scale. The next phase of AI will reward health systems that treat it not as a point solution, but as a foundational capability embedded across operations, workforce models and care delivery.

Turning AI's promise into performance depends on redesigning workflows, not just deploying tools.

Healthcare AI shows exponential growth; healthcare stakeholders aren't fully benefiting from tech spillover despite adoption

Hospitals and health systems are increasing AI and tech adoption, but the resulting productivity has been slower than other industries

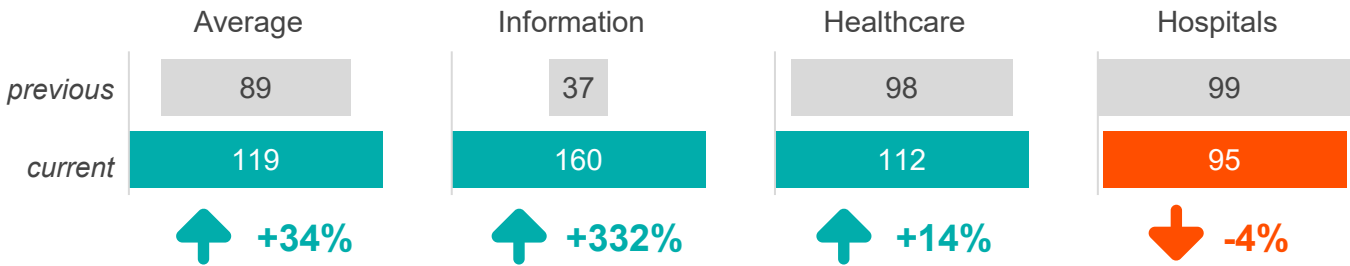
U.S. healthcare AI projected market growth, 2025-2030



Share of U.S. businesses with paid commercial licenses for AI applications, 2025:



Services sector productivity over the last 12 years (value produced versus resourced utilized):

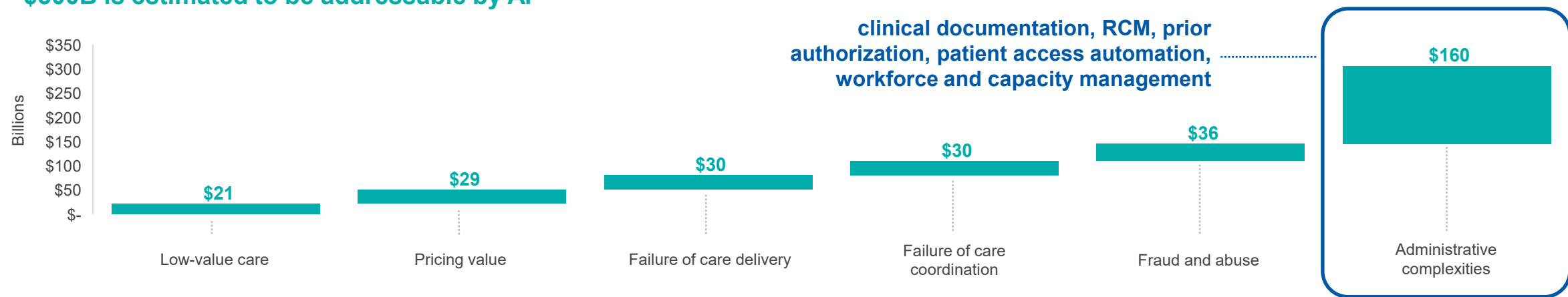


Healthcare's productivity gains have lagged the average, and hospitals have become less productive.

Sources: Bureau of Labor Statistics labor productivity by sector; Menlo Ventures, 2025: The State of AI in Healthcare; Vizient Market Outlook (VMO); Vizient analysis 2025.

AI could cut \$300B in wasteful spending annually with over 50% from administrative complexities where new solutions are focused

Of the ~\$1.4T in annual U.S. wasteful health spending,
~\$300B is estimated to be addressable by AI



Tech unicorns + big tech and EHR natives bet on administrative complexity reductions as an early win

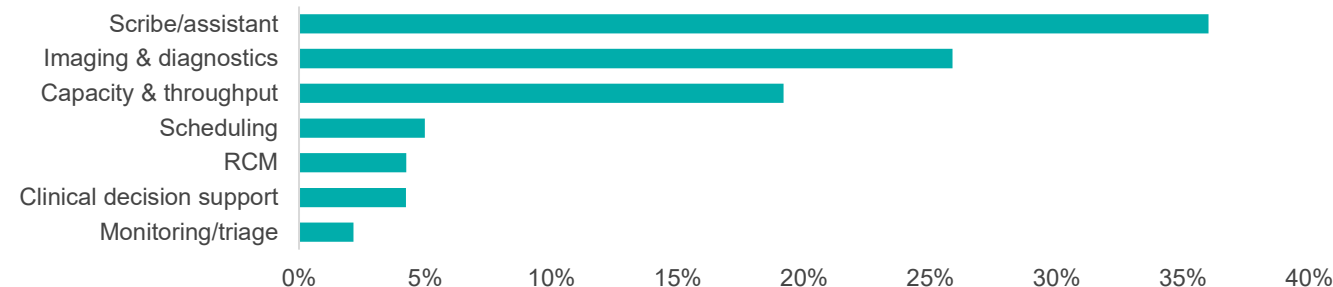
Disruptor speed

- Abridge
- EliseAI
- Commure
- Hippocratic AI

Enterprise scale

- Microsoft
- Amazon
- Oracle
- Epic

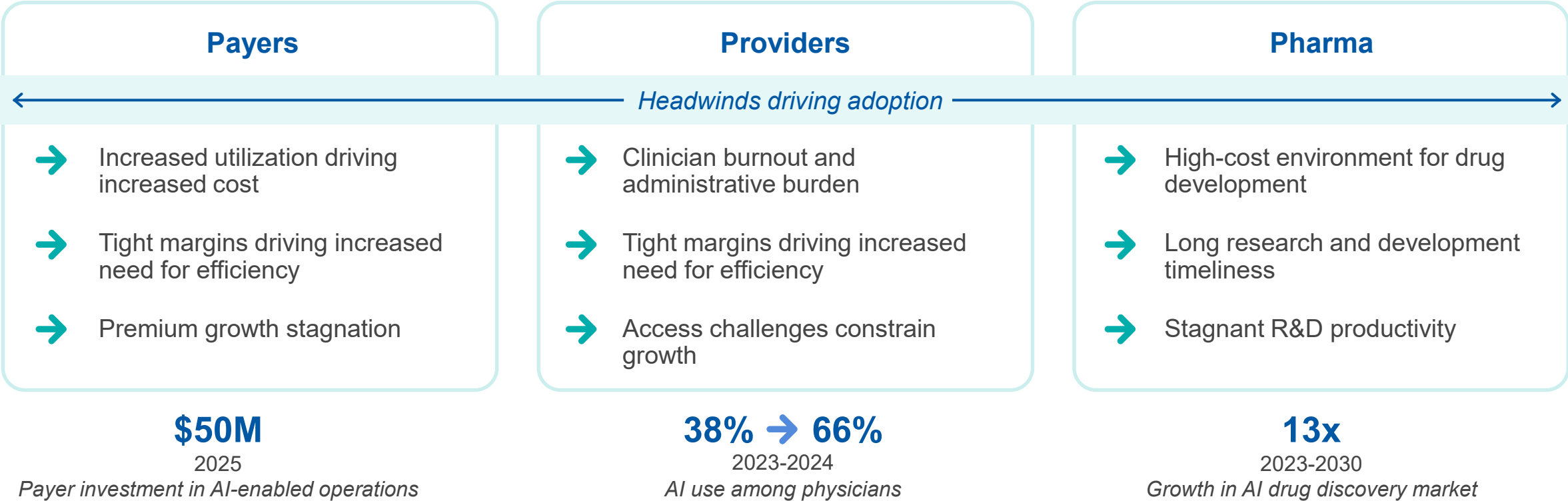
Vizient client spend on AI-native solutions by use-case



Note: Analysis includes AI native solutions; integrated AI solutions are not included. Data is September 2024-August 2025

Abbreviations: AI= Artificial intelligence; EHR= electronic health record; RCM= revenue cycle management. Sources: Vizient Market Outlook (VMO); Vizient Provider Supplier Analytics (PSA); Peter G. Peterson Foundation analysis of wasteful healthcare spending; National Bureau of Economic Research, healthcare waste and inefficiency study; Vizient analysis 2025.

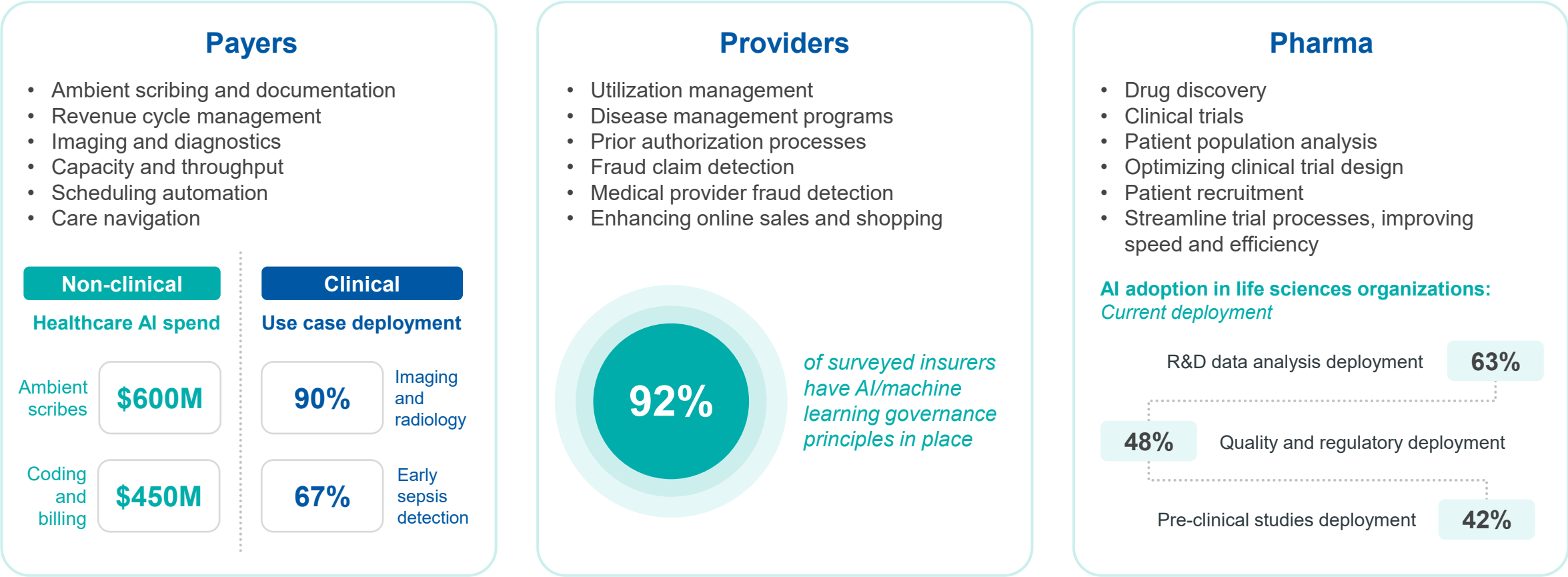
Within payer, provider and pharma segments, the common thread AI can address is reduced cost, improved efficiency



Opportunity to redefine operations across all sectors, reduce cost, manual work and increase efficiency is driving AI adoption in different areas

Sources: American Medical Association, physician use of health AI; Grand View Research, artificial intelligence in drug discovery market report; Menlo Ventures, 2025: The State of AI in Healthcare; Vizient analysis 2025.

Common AI use cases, adoption rates and potential for impact look different across the three segments



Ambient documentation has taken off as the leading health system AI use case, demonstrating care delivery impact

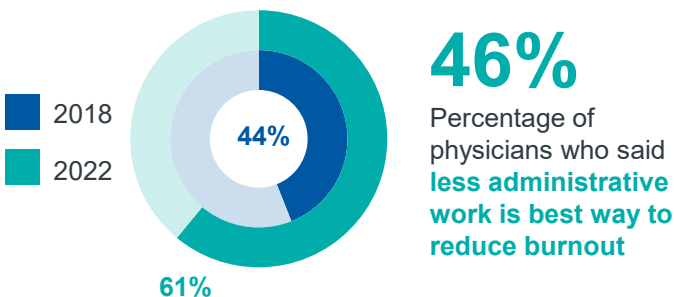
AI scribe applications gaining popularity among large health systems



Administrative work leads to burnout

Percentage of physicians experiencing burnout

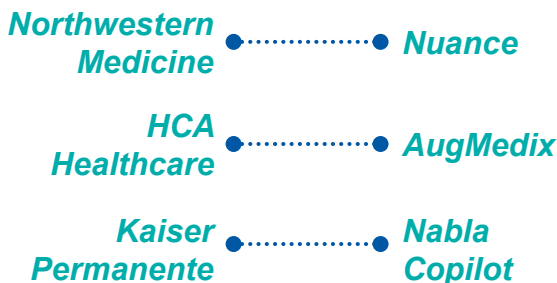
n = 2,440; December 2021 – January 2022
n = 5,445; October 2017 – March 2018



AI scribes could lighten the load

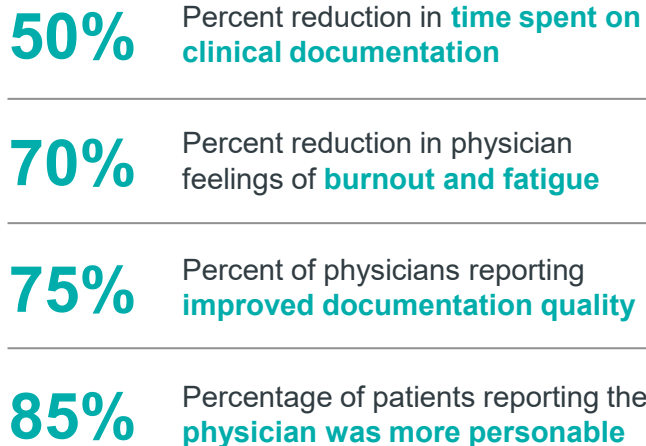
AI-powered ambient note-taking **transcribes and interprets** patient to physician conversations to **create a thorough visit summary** which providers then review

Notable AI partnerships



AI already improving care delivery

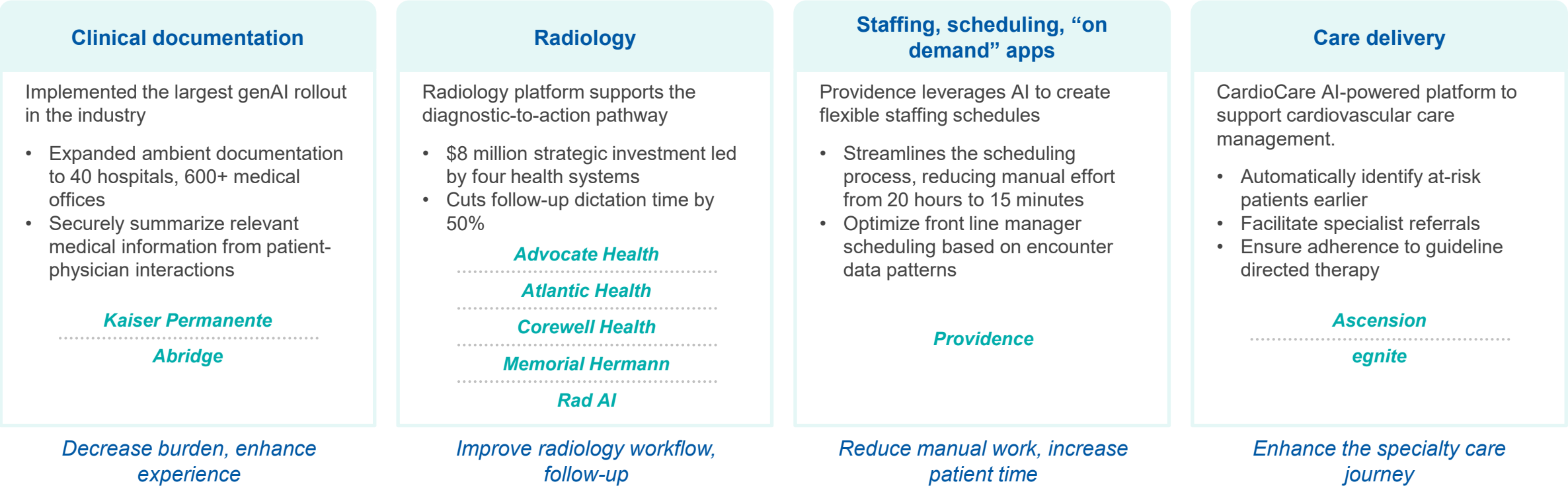
Impacts of Nuance DAX on care delivery



Sources: Op-Med, Administrative burden remains biggest driver of physician burnout (Kim & Novinson); Mayo Clinic Proceedings, Changes in burnout and work-life integration among physicians during COVID-19 (Shanafelt); Stat News, Generative AI Tracker: Health systems and companies driving adoption (Palmer); Nuance, The positive outcome on care delivery; Gist Healthcare analysis; Vizient analysis 2025.

While labor costs have eased, technology enabled care model redesign remains key to minimizing workforce shortages

Technology solutions support provider workforce optimization.



Sources: Becker’s Hospital Review, How three of the largest health systems are using AI; Ascension, AI-powered innovation with egnite cardioCARE at Ascension Saint Thomas; American Medical Association, Two-thirds of physicians are using health AI; Kaiser Permanente, AI-enabled clinical technology to improve member experience; HealthExec, AI optimization of hospital staffing; Physicians Foundation, The State of America’s Physicians 2025 Wellbeing Survey; ScienceDaily summary of Stanford Medicine research on U.S. physician burnout, 2025; Milbank Memorial Fund, The Health of U.S. Primary Care 2024 Scorecard; Physicians Foundation, U.S. primary care system disinvestment and chronic disease burden report; American Hospital Association, health care workforce shortage takeaways; HRSA, State of the U.S. Health Care Workforce 2024; Skilled Nursing News, nursing home access trends report; Vizient analysis 2025.



2 in 3 physicians are using AI, up 78% from 2023

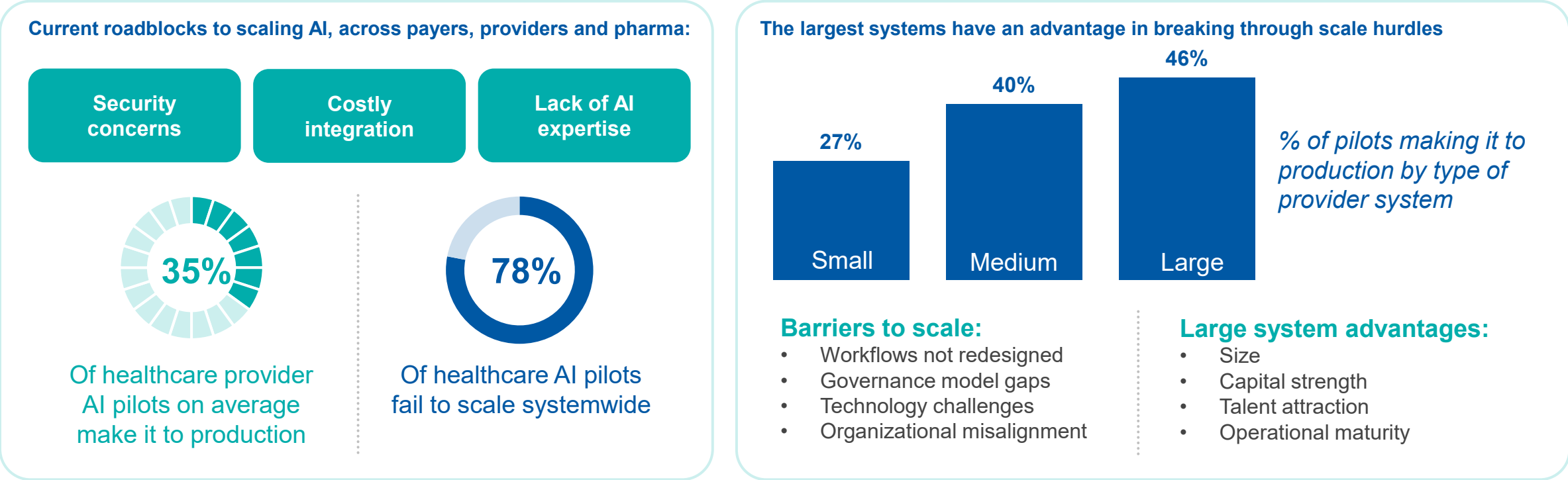
ROI is becoming clearer for operational use cases while measurable impact for clinical use cases lags

Operational AI use cases are demonstrating positive hard ROI
...while ROI for clinical use cases is more likely to be soft, and difficult to measure

Linking operational and clinical ROI creates a foundation for transformational impact

Operational ROI	Enables	Clinical ROI
Decreased time spent on documentation	More clinician time spent with patients	Higher patient satisfaction, better communication
Reduced imaging backlog	Faster turnaround time on imaging scan reads	Earlier detection, communication, follow-up exams
Decreased administrative burden	Increased staff satisfaction and stabilized staffing	Consistency in care delivery, preservation of access
Community Health Network has a \$10M cost reduction target (margin improvement) for AI in 2025	15% of organizations utilizing AI solutions for RCM have realized a positive ROI	Ambient scribing has reduced burnout by 40% and improved documentation quality by 60%

Aside from uneven ROI, implementation challenges remain a hurdle to widespread scale of AI solutions

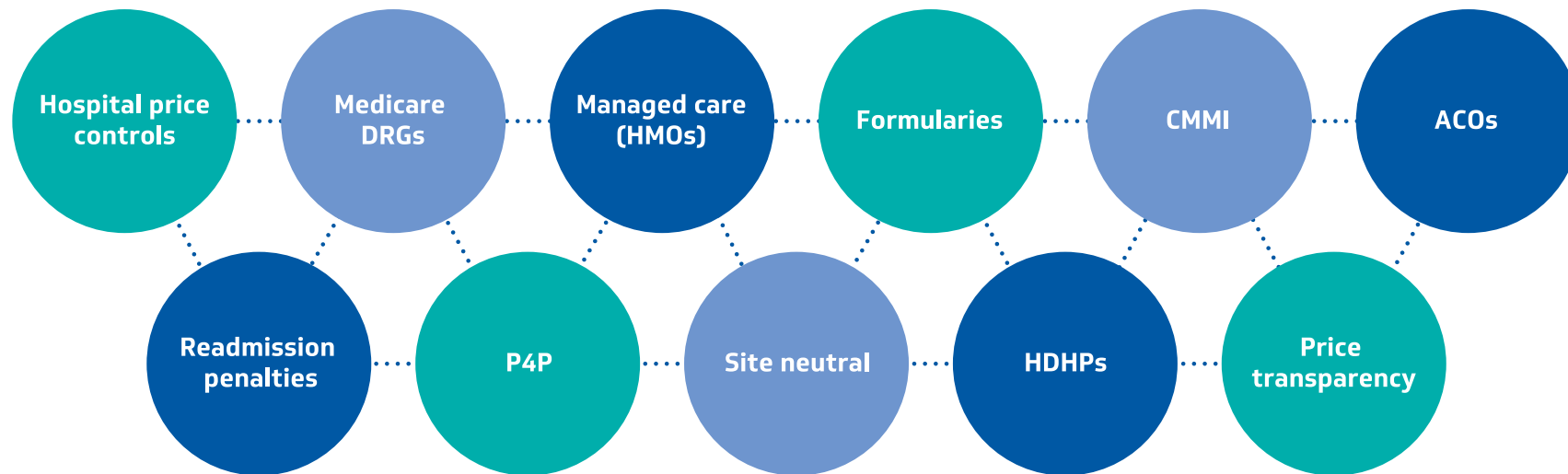


A widening divide emerges between health systems building AI operating models (governance, workforce, infrastructure) and those struggling to scale or integrate capabilities.

AI is rapidly evolving, shifting use cases from reactive to proactive and addressing a broad set of industry challenges



The U.S. has tried many levers to reduce health spending while improving outcomes... can AI advance what hasn't been done?



Abbreviations: ACO= accountable care organizations; CMMI= Capability Maturity Model Integration; DRGs= Diagnosis-Related Groups; HDHP= high-deductible health plan; HMO= health maintenance organization; MS DR= Medicare Severity Diagnosis Related Group; P4P= pay for performance



Learn more about the state of the healthcare industry and solutions for system leaders to protect margin, strengthen access and rebuild operations for a more resilient future.

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