AI IN HEALTHCARE

Payers and Providers mature in their vision for AI.

Where the money is moving, who is buying, which use cases are ready, and what buyers will pay for.

2026

DEFINE VENTURES

OVERVIEW

When generative AI became mainstream several years ago, we set out on our first AI C-suite Insights Report to hear from our strategic partners whether they believed in the potential of AI and whether they were investing in it. The results showed that the appetite was there: a majority (53%) said AI was an immediate priority. This time, the response was even more pronounced, and growing pains became clear – the big questions now are about execution and partnership. Urgency is now near-universal across both segments: 69% of payers and 75% of providers rate AI as an extremely important or immediate enterprise priority.

As healthcare organizations experiment with AI, budgets are growing and use cases are maturing. The barriers to adoption have shifted away from technical capacity and toward building superior products, change management, and workflow fit. ROI is the most critical criterion in how strategics select vendors, defining both the success they achieve and the challenges they face.

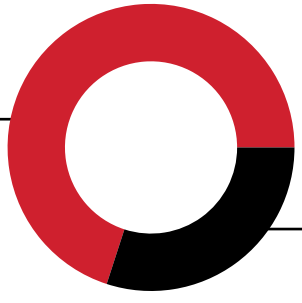
This report organizes those findings into three themes. Each highlights fundamental trends and questions about how entrepreneurs should think about selling AI solutions into payer and provider organizations.

PARTICIPANTS

We conducted extensive research through surveys and in-depth conversations with 62 senior leaders across provider and payer organizations. Over 50% of respondents and participants were SVP/C-suite members and above, and 80% were VP and above. Thirty percent of participants represented payers while 70% represented provider organizations.

80% Were VP or above

70%
Represented provider organizations



30%
Represented payer organizations

EXECUTIVE SUMMARY

BUY VERSUS BUILD: THE GREAT MOVE TOWARDS BUY

- **Both are buying, payers especially.** Even with AI lowering the cost of building, both payers and providers are mostly in the buying position, payers making that move recently — external partners bring product focus and cross-customer learnings that internal teams can't replicate.
- **Differentiation has moved.** Winning innovators build superior product, bring deep domain expertise, and know how to navigate change management.
- **Change management is the new battleground.** It's now a top implementation focus for both segments, and workflow integration is the dominant barrier for providers.

MATURING AND EMERGING USE CASES

- **Provider use cases have converged; payer ones are still early.** Providers settled on core use cases — clinical documentation, revenue cycle management, call center, and internal administration and financial management — while for payers, only call center has broken away.
- **Four categories emerged.** Mapping use case priority against the buy-vs-partner decision shows how that each follow a similar path of use cases starting with adminstrative, but that provider use cases are more mature
- **Watch the emerging categories.** Clinical use cases like clinical decision support, population health and AI governance tools rank low in priorty today — but they're likely next.

ROI DOMINATES AS A CONSIDERATION

- **ROI decides everything.** It's the leading factor in vendor selection, the top reason implementations succeed, and the most cited challenge along the way.
- **But it means different things.** 69% of payers name cost-savings ROI as their top selection criterion, while 56% of providers name revenue-driving ROI.
- **The clock is fast.** 83% of payers and 65% of providers require measurable ROI within twelve months — and many buyers expect contracting to account for performance in the years ahead.

BUY VS. BUILD:
THE GREAT SHIFT TOWARD BUY

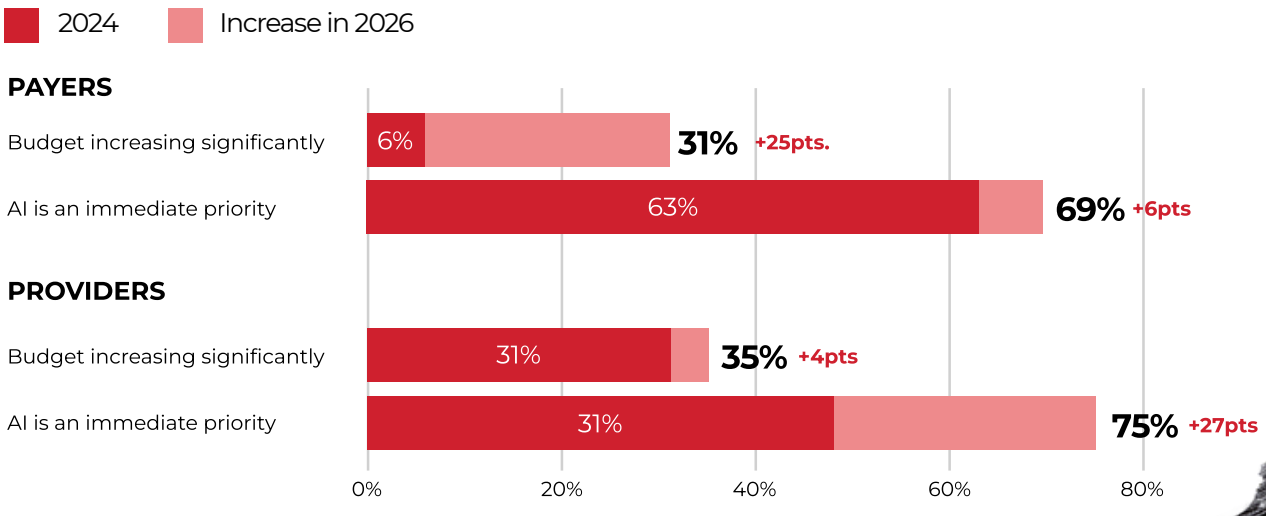
Although AI has lowered the cost of building software, respondents overall are increasingly moving towards buying over building applications. There are key benefits to partnering with an external entity that has the product focus as well as experience working with multiple customers where those learnings can be brought to new customers. As a result, key differentiators for innovators include the ability to build superior product, command deep domain expertise and ability to navigate change management. Change management in particular has risen as a key implementation focus cited among both payers and providers, while workflow integration became the dominant barrier for providers. Simultaneously, appetite for change is high, at 92% of payers and 96% of providers, suggesting that the constraint is execution rather than willingness. Further, innovators need to come to the table as true enterprise solutions. Most buyers have at least five stakeholders, ranging from legal to security to business unit leaders, who need to approval the contract before partnership can begin.

BOTH SEGMENTS MOVED

Overall, AI has risen as a priority for both payers and providers. Among payers, the share of respondents who said AI was an immediate priority rose six percentage points, from 63% to 69% — while the share who said their budgets would increase significantly jumped from 6% in 2024 to 31% this time. This suggests urgency is catching up and is now paired with a willingness to spend. Among providers, the share who said AI was an immediate priority rose to 75% from 48% in 2024, and they continue to invest aggressively, with 35% expecting budgets to increase significantly this time compared to 31% in 2024. Provider urgency has grown alongside funding, while for payers, the funding to invest in AI is available now in a way that it wasn't before.

AI Budget and Priority Momentum

How would you characterize your organization's prioritization for integrating AI across the enterprise?



PAYERS MOVED FURTHEST

Payers made the sharper move on AI adoption, and the tone of the conversation is different from what we heard in 2024. There is a new urgency for payers: margins have been shrinking for a number of reasons, including rising pharmacy spend (especially in the wake of GLP-1s), policy changes like v28 putting downward pressure on Medicare Advantage programs, and — most relevant to this report — the growth in providers' use of AI. Further, payers are under political pressure to reduce administrative friction for members. As a result, the promise of AI for cost reduction, operational efficiency, and a better member experience gave payers reason to move from a defensive position on AI to an offensive one. In 2024, a majority of payers (56%) were weighing building and buying equally; today, a majority (54%) have shifted toward buying. The increase in budget likely responds to this change in priority.

Providers moved toward more balance on the buy-versus-build decision. While 26% were fully on board to buy 100% of the time last round, that share dropped to 15%. The interest was redistributed across the other levels of buy versus build, where a growing majority (56%) still expect to buy 75% of the time. There could be a number of reasons for this shift away from buying 100%, including the potential need for true partnership between buyer and vendor to succeed at change management.

Build vs. Buy at the Application Layer

Percent of respondents who chose the split between build vs. buy

	← MORE BUILDING/INTERNAL				MORE BUILDING/EXTERNAL →
	100% INTERNAL	75% INTERNAL	50% INTERNAL	75% EXTERNAL	100% EXTERNAL
PAYER: 2024	0%	13%	56%	25%	6%
PAYER: 2026	0%	8%	38%	54%	0%
PROVIDER: 2024	0%	4%	19%	52%	26%
PROVIDER: 2026	0%	7%	22%	56%	15%

ARRIVING ENTERPRISE READY

AI has genuinely democratized product development, but building an enterprise-grade foundation still takes expertise. The survey shows that both payer and provider organizations have many internal stakeholders who must sign off before a purchase can move forward. According to over 60% of respondents, five key stakeholders' approval is required before a partnership can begin:

- Data privacy and security (77% of payers, 82% of providers)
- Legal (69% and 86%).
- CIO/CTO approval (70% and 75%).
- AI governance committees (62% and 71%)
- Business unit (69% and 64%).

"The revolutionary pace of improvement and change in AI solutions is forcing us to reconsider our fundamental healthcare delivery assumptions and models... AI governance is emerging as a critical feature of clinical governance, and the future will be more about "should we" than "can we" and "at what cost?"

— Lee Schwam,
SVP and Chief Digital Health Officer,
YaleNewHaven**Health**

Differentiation moves to product vision and domain depth

As the capability to build becomes broadly available, differentiation shifts to product vision and domain depth. The appetite for change in the face of AI is there: 41% of payers and 39% of providers report a high appetite for change, meaning they are willing to redesign the workforce around AI agents. Overall, 92% of payers and 96% of providers are open to redesigning workflows. Only 9% of payers and 4% of providers want no workflow disruption at all.

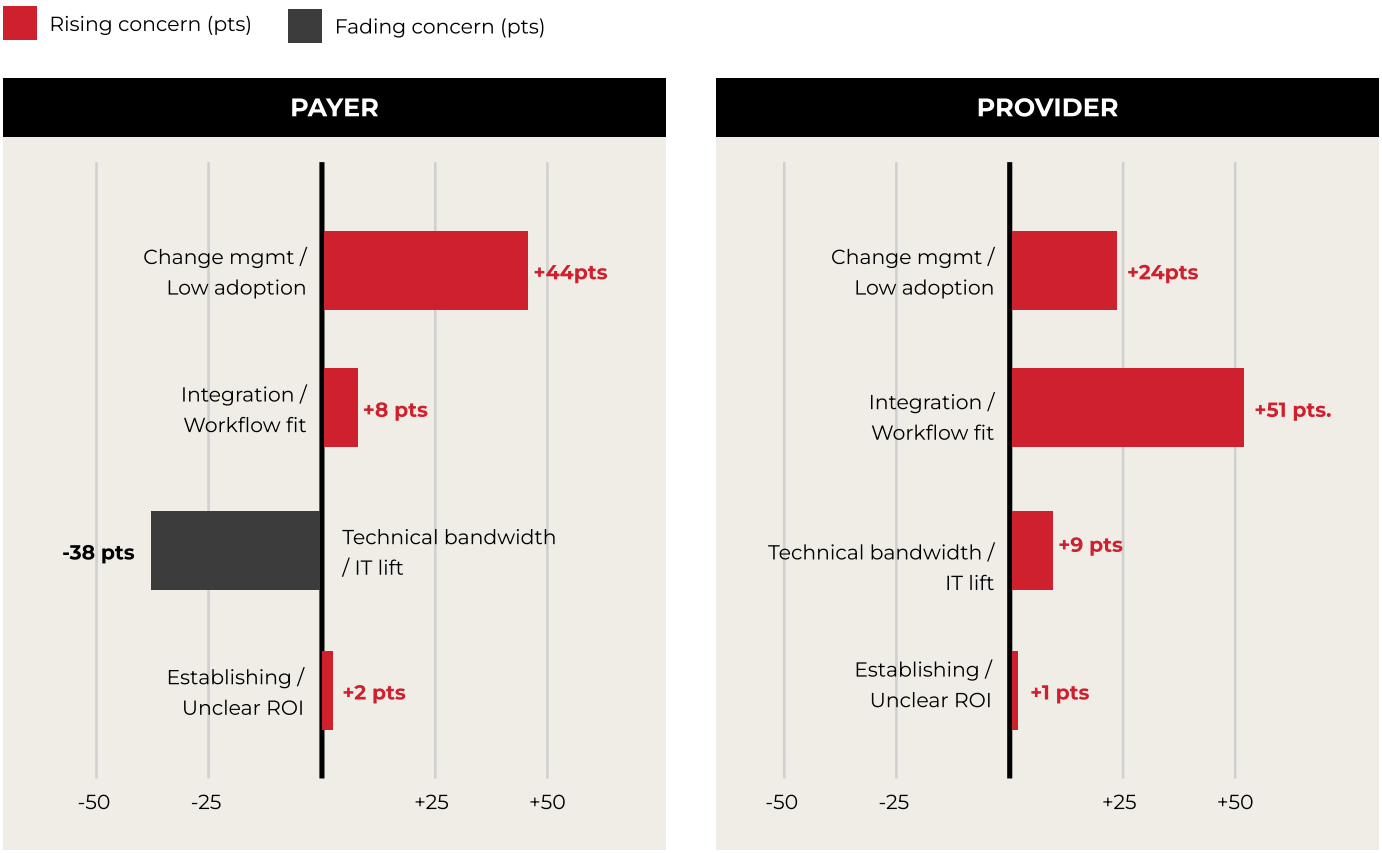
92% **of Payers**

96% **of Providers**

are open to workflow redesign

Changes in AI Integration Challenges

Change in percentage points of respondents from 2024 survey to 2026 survery



Healthcare organizations are in the midst of working through implementation. Among payers, change management surged as a cited integration challenge from 6% to 50% of respondents — a 44 percentage point increase between the last report and this one. Among providers, change management nearly doubled from 24% to 48%, and workflow integration became the most cited barrier, rising 51 percentage points from 31% to 82% of respondents. Interestingly, the share of payers who cited technical bandwidth as an integration challenge dropped by 38 percentage points, potentially reflecting the move toward buying and less reliance on internal teams to build.

Taken together, buyers' appetite for organizational change is high, yet change management remains a key challenge to success. This could mean that buyers believe in the value of these solutions and are therefore willing to invest in change management. Alternatively, the complexity of implementation cannot be underestimated, even with AI solutions intended to ease workflow burden. For builders, product vision and domain depth are key in either scenario. Because healthcare workflows are nuanced, builders can bring a new vision for how AI is implemented and help buyers overcome these challenges. At the same time, a vision that strikes the right balance of value and mission can rally senior leaders to commit to the partnership.

There are real benefits for healthcare organizations in partnering externally. A partner focused on a distinct problem, with referenceable customers, can bring industry learnings and evidence that drive implementation success. A 2025 MIT study also showed the benefits of external partnership across industries: organizations with external partnerships reached deployment 67% of the time, compared to 33% for internally developed tools.

WHAT THIS MEANS FOR ENTREPRENEURS

- **Arrive enterprise-grade.**

  Security posture, auditability and a clear liability position are entry requirements, not differentiators.

- **Bring industry learnings to new partners, beyond the product itself.**

  The builders most likely to succeed are the ones learning across strategic partners and bringing change management solutions. Buyers need a partner with a point of view on what the new workflow looks like and who can bring expertise from working with peers.

- **Budget for change management in the deployment model itself.**

  It is now the most-cited implementation challenge for payer and the second most-cited for providers.

"The change management and work redesign needed to truly achieve an ROI on AI can't be overstated. People understand that AI is important and no one disputes it anymore... Reconciling that disconnect is going to make or break our AI strategy."

— Denise Basow,
Chief Digital Officer
Ochsner Health

MATURING AND EMERGING USE CASES

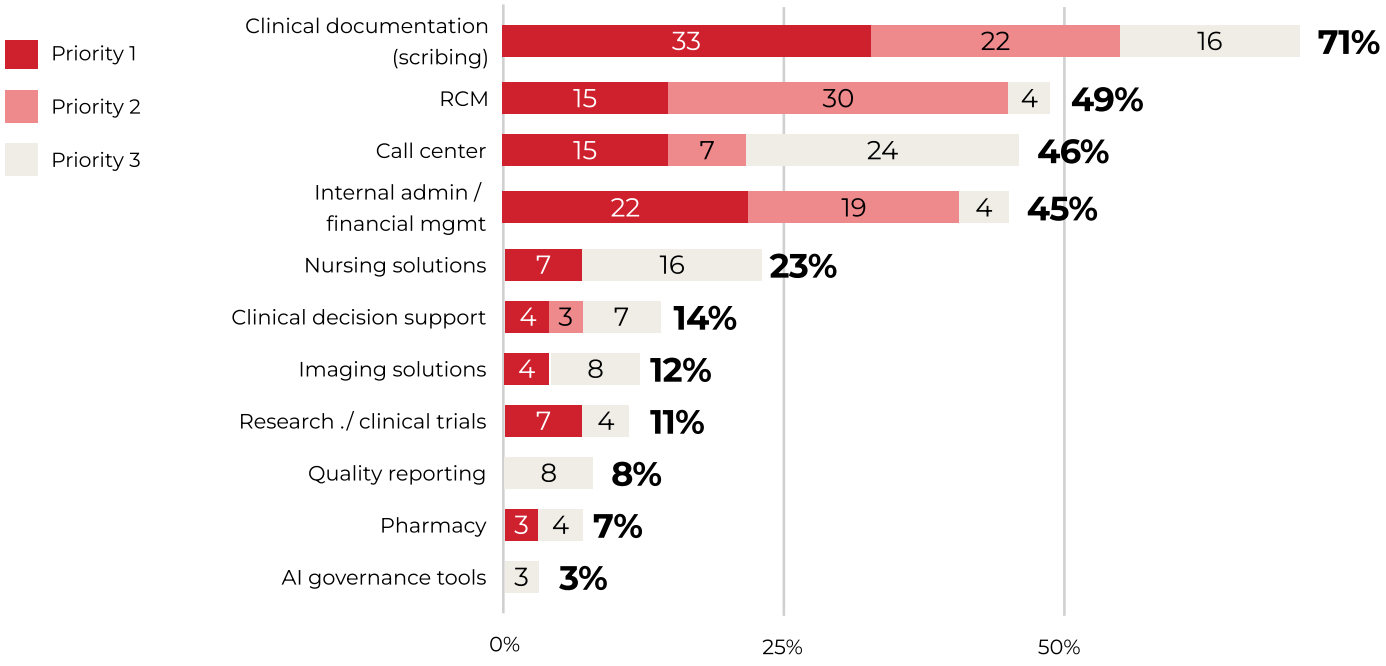
Providers were earlier adopters of AI and have converged on a set of widely accepted AI use cases — clinical documentation, revenue cycle management, call center and internal administration and financial management. Meanwhile, payers are earlier in their journey towards AI adoption and only call center solutions has broken away from the pack. When we mapped use case priorities against the decision between buying or partnering with an innovator, four distinctive categories emerged. The data also highlights that payers seem to be earlier in their adoption and have few use cases where they are buying existing solutions at this point. Conversely, clinical AI and AI governance tools rank low for providers today and likely represent emerging categories.

WHERE EACH SEGMENT HAS CONVERGED

Among providers, there is general consensus around the top use cases for AI. Clinical documentation and scribing was the most commonly selected top-three priority (71%); RCM came in second (49%), call center third (46%), and internal administration and financial management fourth (45%). Beyond that, new top use cases are emerging as organizations gain more experience.

Provider AI Priority Use Cases

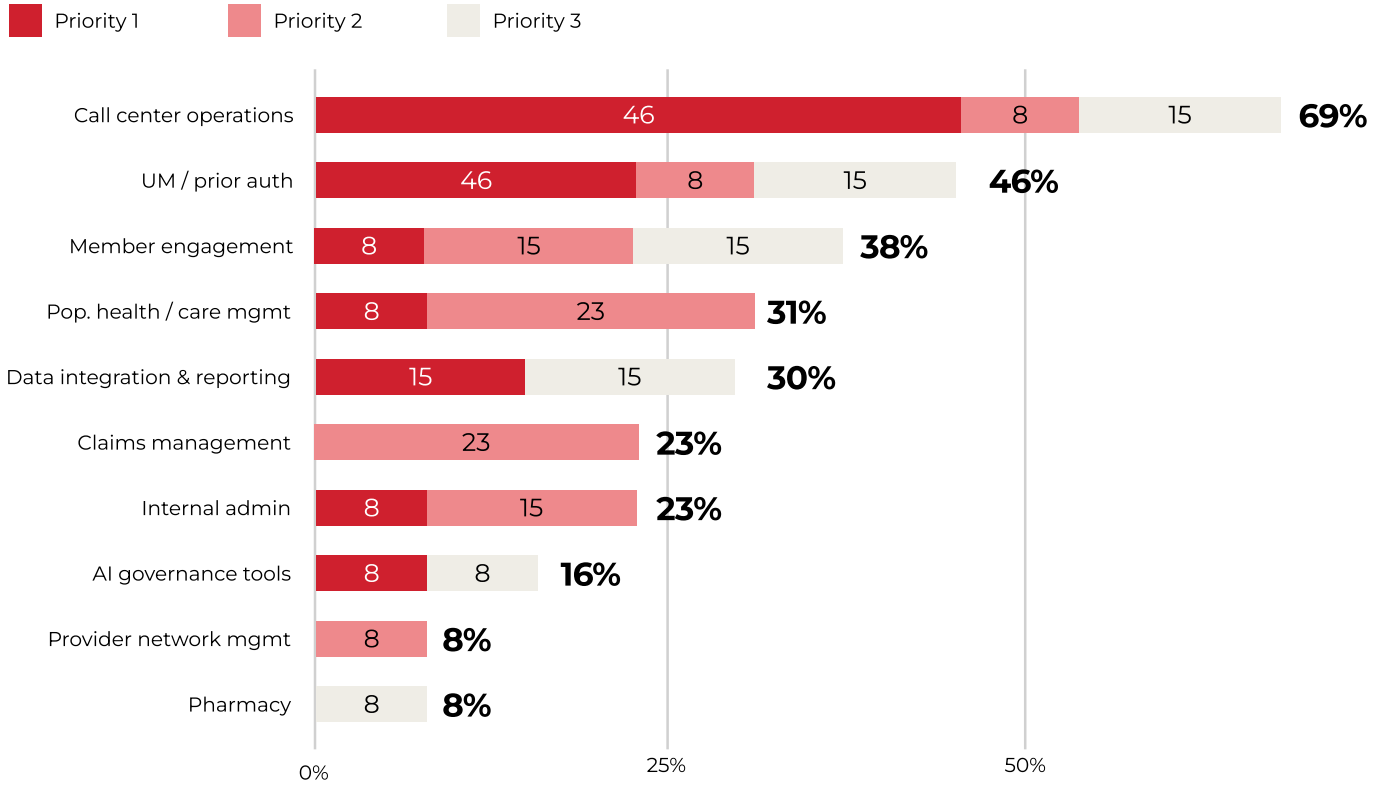
Percent of all provider respondents who selected each use case as a top-3 priority.



Among payers, one use case has pulled ahead. Call center operations was selected by 69% of respondents and ranked the single highest priority by 46%. Utilization management and prior authorization; member engagement; population health and care management; and data integration and reporting follow.

Payer AI Priority Use Cases

Percent of all responders who selected each use case as a top-3 priority



"We see AI as a powerful tool when placed in the hands of patients. As consumers of health services, patients who use AI are able to access tools to help them control their care pathways, and use modalities that align with their needs. Live care, asynchronous care, and AI solutions can work together to bring appropriate care to meet patients where they are"

— Vijay Patel,
Managing Partner
CVSHealth

PRIORITY IS NOT THE SAME AS MATURITY

For each of these use cases, we looked at whether buyers were interested in purchasing a solution or partnering to build one. When we mapped how often a use case was cited as a top-three priority against this buy-or-partner preference, we found four distinct categories that show how payers and providers have sequenced the rollout of AI initiatives.

Quadrant 1

Represents use cases that are high priority and that buyers are interested in purchasing externally. For providers, this quadrant is the most populated: 79% of those prioritizing scribing would buy a solution, as would 75% of those prioritizing call center and 62% of those prioritizing internal administration and financial management.

Quadrant 2

Represents high-priority use cases for which buyers are less likely to purchase off the shelf and instead are looking for partners to build with. Respondents who prioritized these use cases were more evenly split between buying from a vendor and partnering to build. This is an important category: organizations are feeling the urgency, and a good portion are still looking for a build partner — because solutions today may still be maturing, and because the workflow is complex and requires true partnership.

Quadrant 3

Represents emerging use cases for which buyers would seek a partner. Reasons for this may range from the limited availability of mature solutions to the complexity of the use case, where buyers look for external expertise. Imaging, for example, is where AI in medicine first took root, and solutions often require validation from regulatory bodies like the FDA before implementation. Pharmacy is another use case where the build may be significant, and buyers may want to outsource to a more knowledgeable partner who can also bring better economics.

Quadrant 4

Represents emerging use cases where buyers recognize that solutions may require partnership to build. We believe in the promise of more clinical use cases like clinical decision support, and that buyers are in the early days of defining the business case.

Provider Use Cases

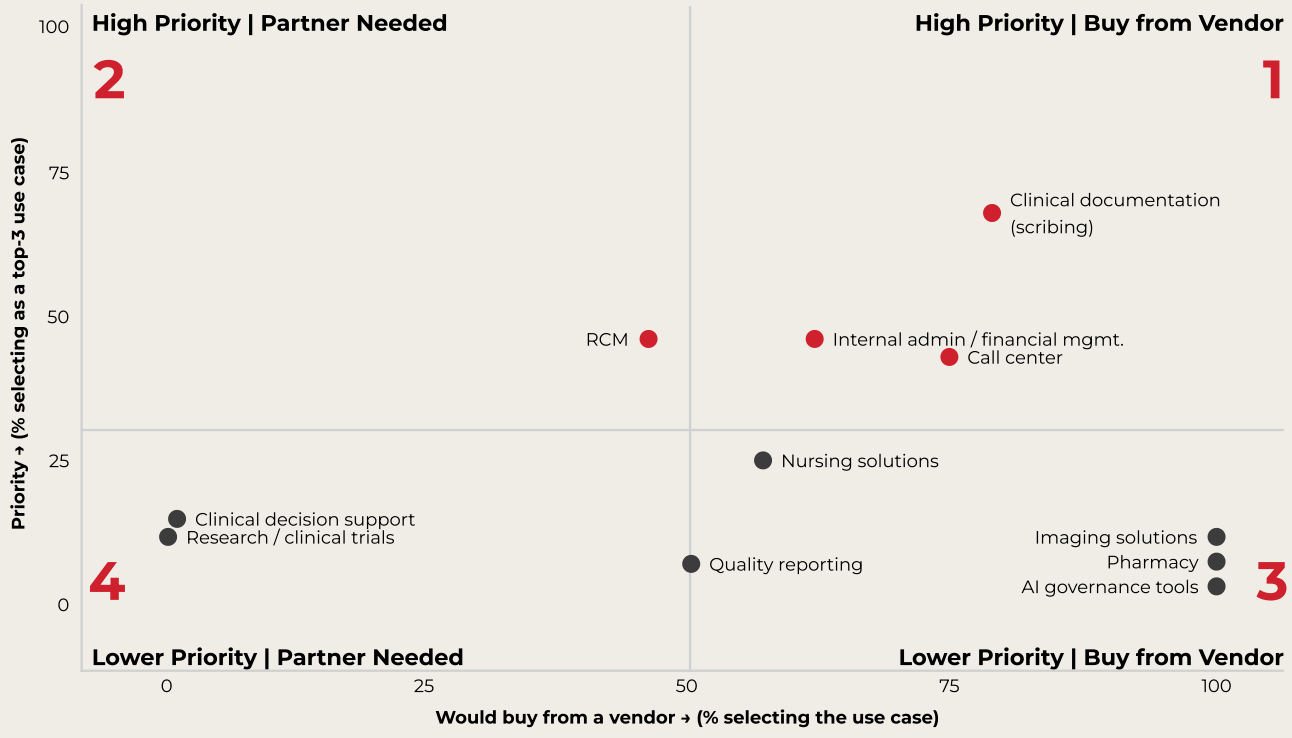
Quadrant 1 use cases have been important starting points for providers because they provided early proof points of the value of AI. AI scribing has created a grassroots movement among clinicians, who believe in its ability to transform their quality of life and their focus on patient care. Clinicians are key decision makers and revenue-generating stakeholders in any care delivery setting, and their buy-in sets the stage for the next set of use cases.

Quadrant 2 use cases may come next for a number of reasons — whether AI-native solutions are less mature or buyers want customization for their specific needs. Innovators building in this category have a meaningful responsibility, and opportunity, to build deep relationships with buyers. RCM is an exemplary use case here: the value is clear, yet the workflow and implementation are complex, requiring deep partnership.

Not surprisingly, many of the use cases in the bottom two quadrants are more clinical in nature — imaging, pharmacy, and clinical decision support among them. We will be watching for the first emerging clinical use cases that deliver clearly attributable value and build trust in clinical AI solutions.

Provider Use Cases

Priority versus preference to buy from a vendor



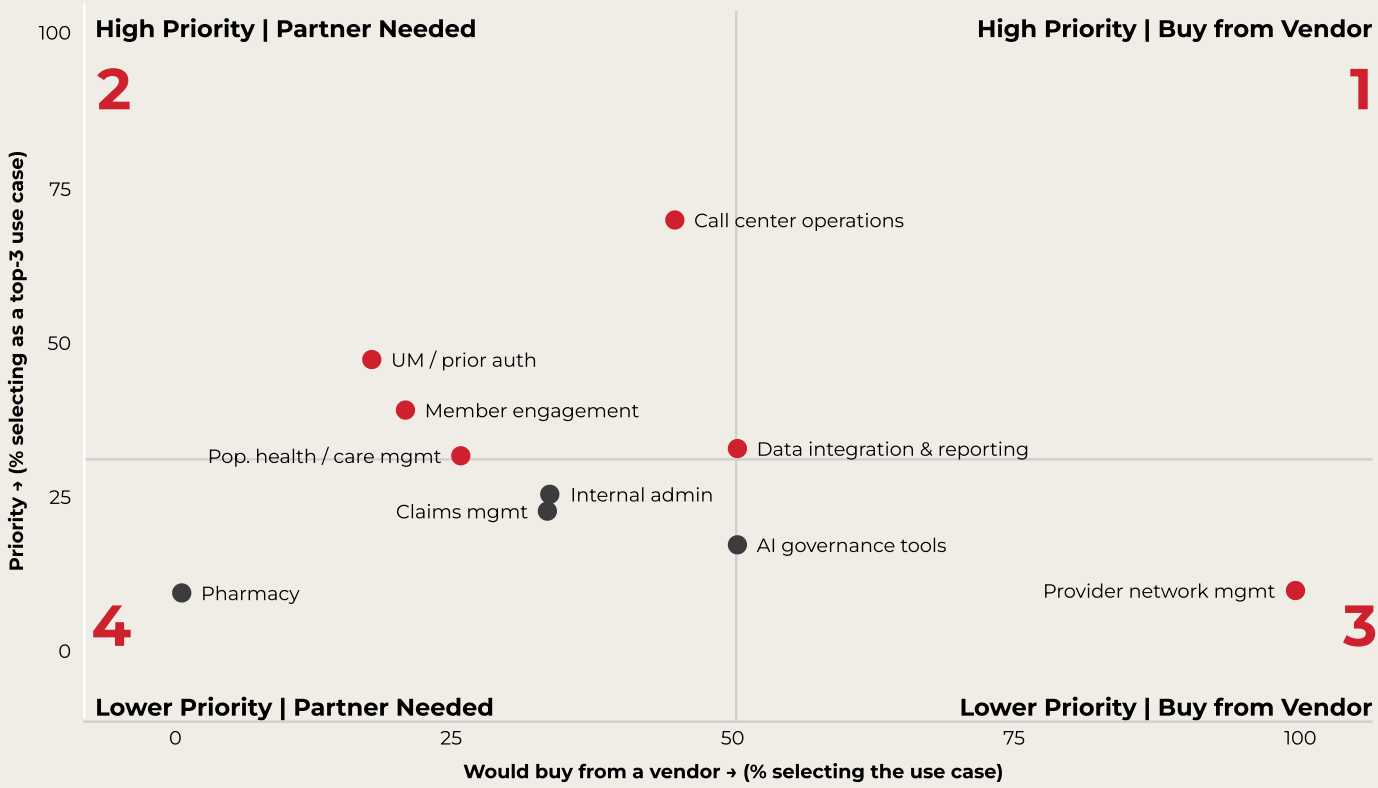
Payer Use Cases

Payers, on the other hand, are earlier in their adoption of AI solutions. Every high-priority use case still draws majority interest in partnering to build: utilization management and prior authorization (only 17% would buy from a vendor), member engagement (20%), population health and care management (25%). Even for call center operations, the segment's runaway priority, only 44% would buy outright while 56% would partner. Part of the reason may be the complexity of data integration among payers, which would require partnership.

Payers follow a similar adoption logic to providers: start with less complex use cases that can deliver immediate value. Call center solutions fall into this most progressive category. The second-highest priority, utilization management and prior authorization, is a complex process that must be handled delicately and would require partnership. Member engagement and population health and care management are important use cases where sensitivities around clinical quality and member-facing messaging may also require closer partnership. Data integration and reporting sits exactly on the line — a new administrative use case and a natural fit for AI capabilities.

Payer Use Cases

Priority versus preference to buy from a vendor



WHAT THIS MEANS FOR ENTREPRENEURS

Near term commercial opportunities are in quadrant 2.
We believe the nearest-term opportunities for builders today are in quadrant 2: use cases with known value, but for which organizations are still looking for build partners.

Explore clinical use cases.
On the provider side, some categories are already saturated with mature options, with RCM on the rise. More clinical use cases — imaging, pharmacy, clinical decision support — are on buyers' minds, but the solutions or the business cases are still in their early days.

Opportunities with payers is significant.
As payers explore more opportunities, they are increasingly looking for true partners to reimagine their workflows.

ROI DOMINATES AS A CONSIDERATION

ROI is the leading factor in vendor selection, why implementations succeed, and challenges encountered in implementation . However, payers and provider organizations define ROI differently. Sixty-nine percent of payers named cost-savings ROI their top selection criterion and 56% of providers named revenue-driving ROI. Buyers also expect proof faster than healthcare has historically delivered it: 83% of payers and 65% of providers require measurable ROI within twelve months, and many buyers may want to revisit contracting to account for performance in the next several years.

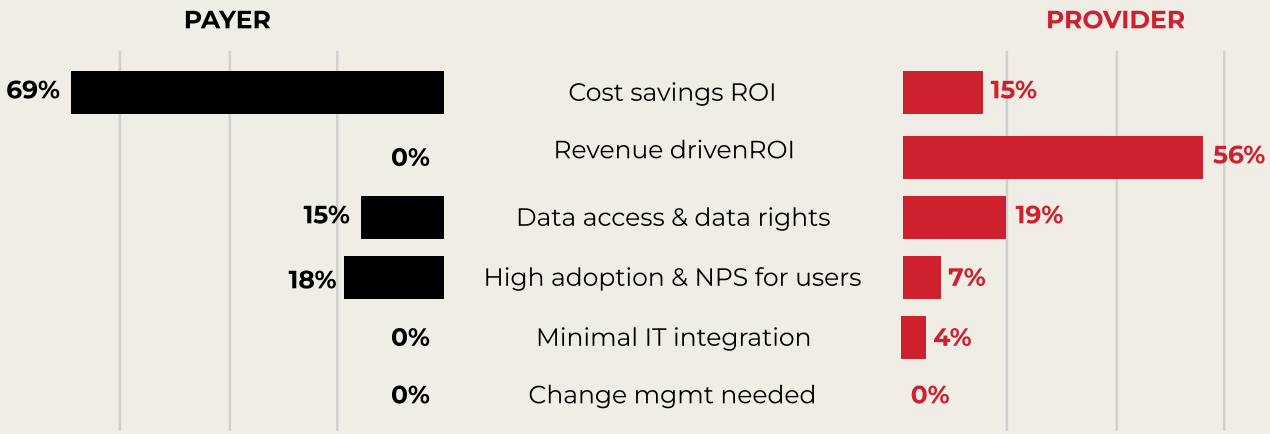
ROI HAS TWO DIFFERENT MEANINGS

When asked which criterion ranks first in evaluating an AI vendor, 69% of payers chose cost-savings ROI, while 56% of providers chose revenue-driving ROI — with cost savings well behind at 15%.

Interestingly, neither segment ranked change management burden as its top selection criterion. It is possible that buyers are selecting on the financial case and encountering the challenges of change management only later — or that this reflects their stated expectations and willingness to embrace change.

AI Vendor Evaluation Criteria

Percent of respondents who ranked each criterion number one



ROI DECIDES SUCCESS AND POSES CHALLENGES, TOO

The same criterion governs outcomes. Clear ROI was the top-cited success factor for both segments — 92% of payers and 100% of providers — ahead of meeting security requirements (58% and 74%). And unclear ROI is a challenge in equal measure: 58% of payers and 70% of providers name establishing ROI as a primary friction point in implementation.

SCRIBING IS THE INSTRUCTIVE EXCEPTION

Clinical documentation is the most adopted provider use case in the survey — and the one with the least concentrated ROI case. Among providers who prioritized it, responses split almost evenly across six ROI categories: productivity gains (26%), clinician NPS (21%), cost savings (16%), administrative impact (16%), revenue gains (11%), and clinical impact (5%). Other quadrant 1 use cases have much clearer ROI expectations: 85% of those who prioritized RCM point to revenue gains, and 58% of those who prioritized call center point to cost savings.

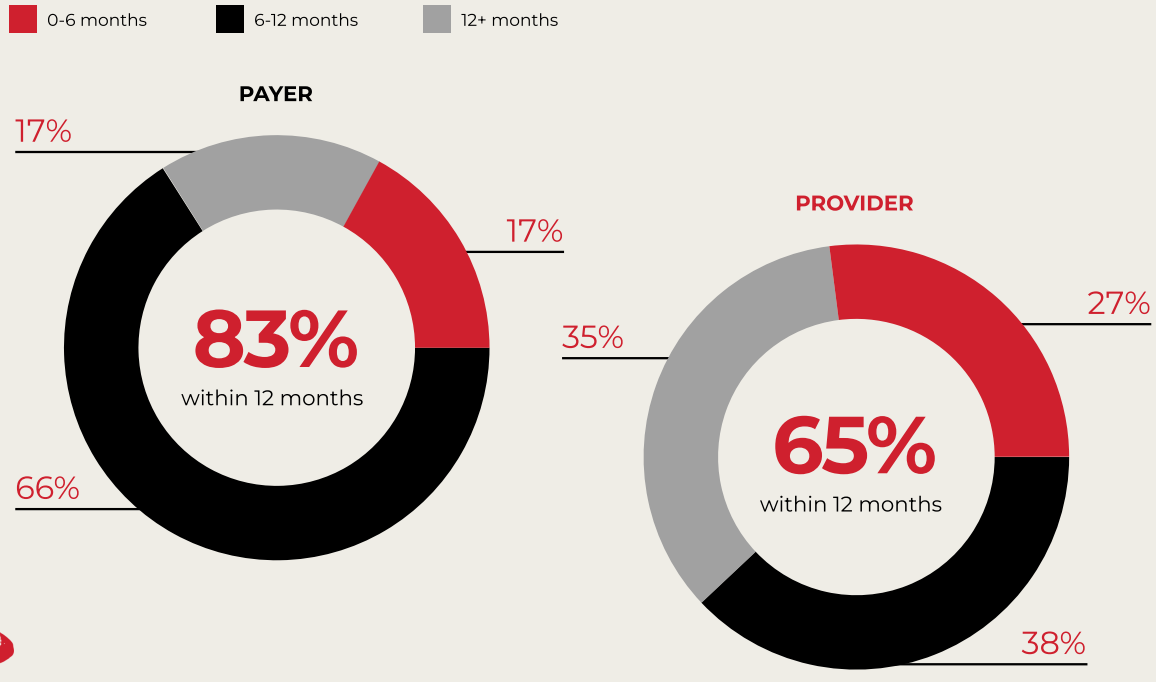
A use case with diffuse ROI yet widespread adoption speaks to the importance of its stakeholders: clinicians. It remains an important use case for providers to adopt first because it can align this key stakeholder group and its clinical leadership to embrace further — and potentially game-changing — AI use cases in healthcare, including AI for clinical support and decision making.

THE CLOCK IS FASTER THAN IT USED TO BE

What makes AI different, and explains much of the enthusiasm, is that returns can show up sooner than they historically have — sometimes as quickly as identifying revenue that can be realized within the transaction, or by removing a clearly measurable amount of work. Expectations are high: 83% of payers need to see measurable ROI within twelve months, with two-thirds expecting it within the six-to-twelve-month window. Providers allow more room: 65% expect ROI within a year, but 35% accept a horizon beyond twelve months. Historically, demonstrating enterprise healthcare ROI inside a year has been difficult. This is the power of AI.

Timeframe for ROI

Within what timeframe does your organization need to see the impact of AI solutions with measurable ROI?



PRICING FOLLOWS THE ROI EXPECTATION

The pressure from buyers on innovators to demonstrate ROI is strong, and many buyers aspire to incentivize innovators to truly deliver in the next several years. Among payers, only 15% contract under any form of performance-based pricing today, but 62% expect it to be a dominant model within one to two years. Per-transaction pricing also roughly doubles in expectation, from 15% to 31%, while per-user pricing halves, from 31% to 15%. This sentiment is particularly acute among payers — but it is also characteristic of the segment. In their core business of contracting with providers, payers have long built in performance incentives, like pay-for-performance when certain quality metrics are met.

However, performance-based contracts in healthcare have been a double-edged sword. Incentives in healthcare are notoriously difficult to align, and constructing contracts without creating unintended consequences can be challenging — especially for AI use cases, where the full impact and potential are not yet known. Further, implementing these arrangements too early can limit innovation, because only the most mature companies have the resources to take on the risk.

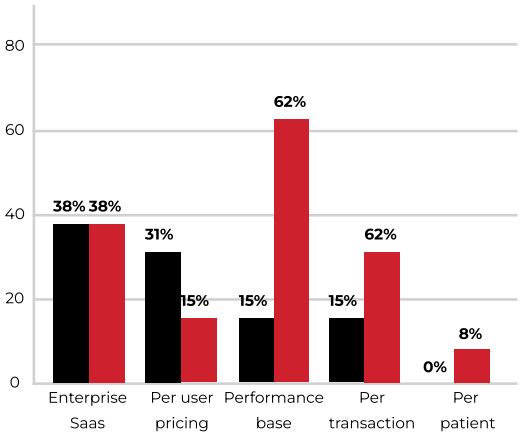
Providers are opting for enterprise SaaS models (50% currently, growing to 85%). This may be because provider workflows are notoriously complex and nuanced, and SaaS models offer flexibility to cover variability in implementation, usage, or even time to value. However, providers also want accountability: 42% hope to add performance-based aspects to contracting in the next several years, compared to 12% who are doing so today.

AI Vendor Pricing

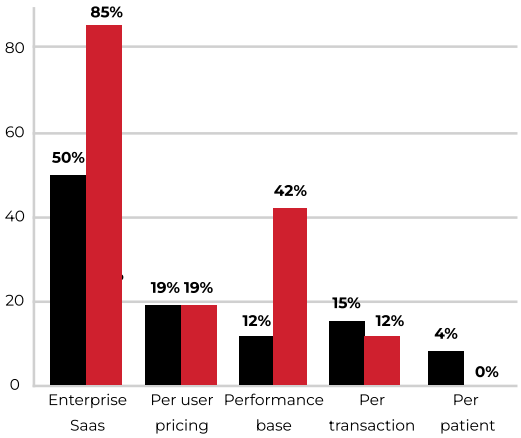
Current: most common pricing model in use

Future: models expected to dominate in next 1-2 years (select up to 2)

PAYER



PROVIDER



WHAT THIS MEANS FOR ENTREPRENEURS

- **Know which ROI you are selling.**
  Your value story may need to differ depending on who you are selling to: payer buyers lean toward cost savings, while provider buyers lean toward revenue-generating opportunities.

- **Pick a wedge that produces attributable value inside 12 months.**
  Unclear ROI was cited as a leading challenge with AI implementations in both segments. Defining ROI metrics and timelines upfront can help align expectations for success.

- **Collect ROI metrics early and be prepared to think about what performance may mean in terms of contracting with your partners, particularly payer partners.**
  Be sure you understand these metrics — and your ability to deliver on them consistently — before entering into these forms of agreements.

- **Do not let the ROI case crowd out the adoption case.**
  Buyers select on ROI and fail on change management; the vendors who close that gap will retain what they win.

WHAT THIS MEANS FOR HEALTHCARE

This is a unique time to be an innovator in healthcare. AI is one of the most transformational technological advancements of our generation, and healthcare organizations have never moved this quickly to realize its value. The first few winning use cases — scribes, call centers, and financial administration — have provided early evidence that AI can deliver value to clinicians and improve the bottom line. Payers have made leaps in the last two years to prioritize AI. As a result, budget is moving, as are the search for partners and even the willingness to invest in change management.

For entrepreneurs, it is imperative to move quickly to seize this opportunity. The window to partner is wide open, and healthcare organizations cannot keep up with the pace of change in AI on their own. Innovators need to come prepared: arriving enterprise-grade, bringing a new perspective alongside domain depth, and keeping a keen eye on ROI from the beginning. Health systems and payers need true partners who can translate the ever-evolving capabilities of AI into their own business imperatives.

We are enthusiastic about the pace of change AI has catalyzed in healthcare — and we have had a front-row seat as fresh appetite turned into real adoption. Urgency is now near-universal: 69% of payers and 75% of providers call AI an immediate enterprise priority, and budgets are moving with it. The first wins are on the board. We expect many more over the next few years as this generation's category-defining companies are built.

ABOUT DEFINE VENTURES

Define Ventures is one of the largest venture capital firms focused on early-stage health tech companies with $800 million AUM. We take a high conviction approach in partnering with companies at the earliest stages.

We believe the future of healthcare will be defined who bring together a deep understanding of the healthcare ecosystem paired with a technology-driven mindset and principled approach. Our team was built in this vision, bringing together founders and investors who built category-defining companies and delivered $23 billion in exit value, including Livongo (NYSE: LVGO), Evolent (NYSE: EVH), and Hims & Hers (NYSE: HIMS).

Our founders, strategic partners, and LPs choose to partner with us because we pull the full weight of our network and expertise to play offense and drive results. We're strongly rooted in our values, taking a principled approach to building impactful, category-defining companies while holding ourselves to the same standards.

Learn more about Define Ventures at **www.definevc.com**