

ARTICLE

Six healthcare trends providers should plan for in 2025

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As we enter 2025, the November elections and recent court decisions have portended that policy shifts will play a larger role in how healthcare functions. Other persisting market dynamics are also contributing to how the complex healthcare landscape continues to evolve. We highlight some trends to watch in 2025:

1. Anticipated policy changes will reduce access to care for millions.

Future healthcare policy is uncertain, given the incoming Trump Administration. However, it is expected that while Trump won't repeal and replace the Affordable Care Act (ACA), modifications will be made. This includes significant cuts to federal spending on the Medicaid program and potentially a series of waivers that would allow states to limit eligibility based on work status, documentation adherence, and premium payment history. Such actions would lead to millions losing health insurance coverage, limiting their ability to access care.

There will likely be a push to change federal policies related to women's and LGBTQIA+ health. President-elect Trump has also said he will issue an executive order prohibiting all federal insurance programs (Medicare, Medicaid, and Veteran's Affairs) from covering gender transition services. He has also said that federal funding would be cut for hospitals performing gender-affirming surgery.

2. A likely relaxation of government regulations may unleash pent-up transactions.

Regulators will likely reduce the high level of antitrust scrutiny established under the Biden Administration. This may open the door for strategic and transactional moves that were sidelined due to the tight regulatory environment during the Biden Administration. These could include mergers and acquisitions, as well as investments or business arrangements between providers and external entities, such as private equity (PE) firms.

3. Providers will need to demonstrate value from current AI investments.

Developers will continue to introduce more revolutionary AI applications to the market. Many of these will come from private capital-backed start-ups, whose investors will look to monetize their investments and push these start-up companies to mature and grow market penetration.

Examples include the new Oracle electronic health record, which almost exclusively uses NLP instead of typing, and a holographic system that grows access to care and enhances the telehealth experience. Such applications will need to demonstrate value before they gain a strong foothold in the market. In addition, “change fatigue” among the workforce may cause some provider organizations to slow their investments in a host of nascent AI tools.

However, certain AI solutions are becoming table stakes. These include patient-facing chatbots to assist with simple medical questions, revenue cycle and claims processing tools, imaging support, and natural language processing (NLP) to enhance clinical workflows and improve efficiency in the physician notes process. Provider organizations that have not adopted AI solutions in those areas, or that have been unable to realize value from those investments, risk falling behind competitors.

In addition, leading provider organizations will transition from investing in AI solutions to demanding and demonstrating real value from those tools. This will be particularly true for AI solutions that are intended to lower labor costs, which on average account for 60% of hospital operating expenses.

4. Private capital-backed entities will pivot their approach to healthcare.

Several large scale, private capital-backed entities and publicly traded companies have struggled to make their forays into healthcare profitable. In the past year, several disruptors—such as Walgreens, Walmart, and CVS—have struggled in their healthcare ventures. This reflects the fact that deep pockets and a large, established consumer base do not guarantee success in the healthcare industry.

Disruptors that haven’t already discontinued or spun off their healthcare offerings will likely take a more targeted approach in 2025. This includes partnering with legacy healthcare providers who have a deep understanding of the complex healthcare sector.

5. Financial sustainability will require new, less familiar approaches.

While some hospitals and health systems have shown signs of financial improvement, many are still in an untenable state. As health systems exhaust “typical” efforts to improve margins with little or no improvement, they will need to turn to less familiar and potentially riskier options.

For instance, some may partner with similar healthcare entities to enable access to capital and leverage assets and expertise of other health systems. Some health systems may enter non-traditional partnerships, such as with employers, start-up companies looking to pilot their innovations, or payers seeking to partner on new reimbursement models. Some providers will likely explore new sources of revenue, such as innovative investments through their venture funds or via consortiums with other healthcare entities. Many

organizations will leverage AI tools to further push operational efficiencies and improve the revenue cycle.

Organizations will also more closely scrutinize their payer arrangements. Medicare Advantage (MA) is expected to continue growing, although most providers lose money on MA patients. A rising number of providers have experienced such extreme losses from MA that they have made the difficult decision to no longer accept the insurance plan, leaving many patients scrambling to find new physicians and sites of care.

6. Persisting workforce challenges will continue to fuel momentum around organized labor efforts.

Staffing shortages will continue, with a gap of just under 80,000 full-time registered nurses in 2025. A large proportion of nurses leaving the profession are under the age of 35, which does not bode well for the size of the future nursing workforce as older nurses retire and the pipeline of younger nurses is insufficient to cover that loss.

Similarly, physician burnout remains disturbingly high, despite recently falling slightly. Expected stricter immigration policies under the Trump Administration will also impact the healthcare workforce, as immigrants comprise a large portion of the healthcare workforce and fill crucial gaps.

As clinicians experience challenging working conditions, exacerbated by shortages, they may increasingly turn to organized labor. In the last 18 months, health professionals' groups have increasingly pursued collective bargaining. This dynamic is particularly relevant in academic medicine, as residents at several academic medical centers have come together for collective bargaining.

Why It Matters

Despite a high degree of uncertainty going into 2025, several implications are clear.

As AI adoption gains momentum, health systems need a more formal, organized approach.

AI will remain a catalyst for advancing healthcare. As leading organizations move past the initial race to put more common AI solutions in place (e.g., the aforementioned "table stakes"), they will need a more formal governance structure dedicated to AI-related issues. Activities should include overseeing the development of a cohesive strategic plan for AI, the evaluation of current and future AI investments, and decisions around other AI-related issues.

Ethical concerns over AI have grown, and new rules and laws around AI use will likely be put into place. This means clear, established rules and compliance will need to be priorities. Healthcare delivery organizations will need to have strong patient privacy protections in place, particularly as tools that use electronic health record data further incorporate AI and hackers become more sophisticated.

Health systems will need to factor new partnerships into their strategic plans.

Externally, new types of partnerships between providers, payers, and other healthcare stakeholders will be essential to sustain the fragile healthcare ecosystem. Payers and providers may explore new payment models and/or partnerships to maintain or grow patient access, better manage care, and ensure financial sustainability for both entities.

As disruptors re-evaluate their healthcare strategies, many may seek partnerships with established healthcare providers. For example, Amazon's One Medical has partnered with health systems in many markets, forming referral agreements and other clinical collaboration models. As AI continues to advance, big tech companies will continue to seek health system partners to build or refine AI solutions using de-identified patient data. For example, Microsoft has partnered with Epic and a large, multi-state health system to pilot and advance several new AI-powered tools for providers and research entities.

Healthcare organizations may also consider banding together to leverage the power of AI for research purposes, pooling data across organizations (within compliance boundaries) to find patterns that may improve healthcare delivery, disease management, and risk identification and reduction. Some coalitions have already formed, such as Truveta, which has 30 member entities.

Health systems will need to meet evolving workforce demands.

Workforce issues will remain top of mind and need reimagined solutions and an effective change management approach. The trend toward increased organized labor signals that fair pay and burnout—and its drivers, such as weekly hours—are still top concerns. But need for change goes beyond those. Additional issues include:

- **Patient safety.** Provider concerns over patient safety have increased in recent years, and as more AI tools are embedded in workflows, care models and processes will change. Thorough training and piloting will be critical to ensure new tools don't introduce new safety concerns.
- **Marginalization.** Another frustration has been physicians' feeling of marginalization in decision-making, particularly over scheduling and consistency of care team composition.
- **Variation in workforce expectations.** The older generation of healthcare professionals has a markedly different set of workplace and job expectations, as is true in many other industries. This can result in frustration among both groups and occasional conflict. As workforce demographics continue to change, organizations will need to acknowledge and address this friction to avoid future tension and dissatisfaction.

To enhance workforce experience, leaders will need to demonstrate their commitment and responsiveness to their workforce. They will also need to include clinical leaders and front-line workers in teams charged with exploring solutions to ameliorate ongoing and new issues. Understanding generational differences and

adopting generation management practices will also be important. Organizations should put other creative solutions into place as well, such as training programs and/or tuition support to build out workforce capabilities and provide advancement opportunities for team members.

Preparing for market transformations

In a period of continued change and some uncertainty across the market, healthcare organizations should not only shore up their essential operations but also prepare for a variety of possible market transformations. Engaging in a scenario planning process (including possible market outcomes, the impact on performance, and strategies to navigate through) will ensure that healthcare organizations are well prepared for what 2025 and the years to follow bring.

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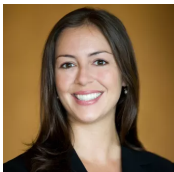
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Alexandra Schumm

Partner and Vice President of Research