THE ALLIANCE
SIGNATURE
SERIES

INSIGHTS REPORT:

HEALTH CARE PAYMENT

allhealthpolicy.org

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ALLIANCE
FOR HEALTH POLICY

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I. ACKNOWLEDGMENTS

The Alliance for Health Policy recognizes and appreciates the American Medical Association for its support of the Signature Series program, which makes this work possible.

II. SIGNATURE SERIES: HEALTH CARE PAYMENT

WHERE WE ARE, WHERE WE ARE GOING

Health care payment policy underpins nearly every aspect of the U.S. health system, shaping how care is delivered, who can access services, and how the investment of private and public dollars relates to health care services, products, outcomes, and experiences. Payment policies influence prices, utilization, workforce investment, and innovation, while also determining how financial risk is shared among payers and beneficiaries. As a result, debates over health care payment include broader concerns about affordability, access, quality, and the long-term sustainability of federal and state budgets.

While a perennial focus of debate, pressure on health care payment systems has intensified. Health care spending continues to grow faster than inflation and wages, driven by rising prices for hospital care and physician services, increasing utilization, high-cost prescription drugs, workforce shortages, and administrative complexity. At the same time, public programs face mounting fiscal constraints, employers report growing difficulty offering affordable coverage, and households increasingly experience financial strain even when insured. These dynamics have elevated payment policy as a focal point for congressional attention, often framed through debates about cost containment, oversight, and accountability.

Despite its central importance, health care payment remains one of the most complex and least understood areas of health policy. The U.S. system relies on a patchwork of payment approaches across Medicare, Medicaid, employer-sponsored insurance (ESI), and the Affordable Care Act (ACA) marketplace, each with distinct rules, incentives, and stakeholders. Changes in one part of the system frequently ripple across others, producing unintended consequences that complicate policymaking.

One frequent challenge is that policy discussions often focus on visible "symptoms" of the payment systems, such as specific payment controversies, without fully accounting for the underlying structures that shape spending and behavior over time. In this Insights Report, the experts the Alliance interviewed identified a number of areas of educational opportunity, pointing out that the topic is complex, difficult, and often opaque. In addition, they acknowledged the challenges of engaging interest and attention on such a tough topic. One expert noted that education about health care payment is "not exciting and people are not [saying] 'oh, wow, I can't wait to come to this insurance design discussion.'" These challenges are real, and part of the Alliance's mission is to find ways to overcome them and persist with high-quality, engaging opportunities for policymakers and others to learn more.

To better understand today's health care payment landscape, the Alliance for Health Policy conducted a series of in-depth interviews (IDIs) with experts representing a broad range of perspectives, including providers, payers, economists, policy analysts, and federal and state officials. These conversations explored which payment issues are most prominent in current debates, what patterns and trends are shaping the system beneath the surface, and how foundational payment structures influence outcomes regardless of near-term policy changes.

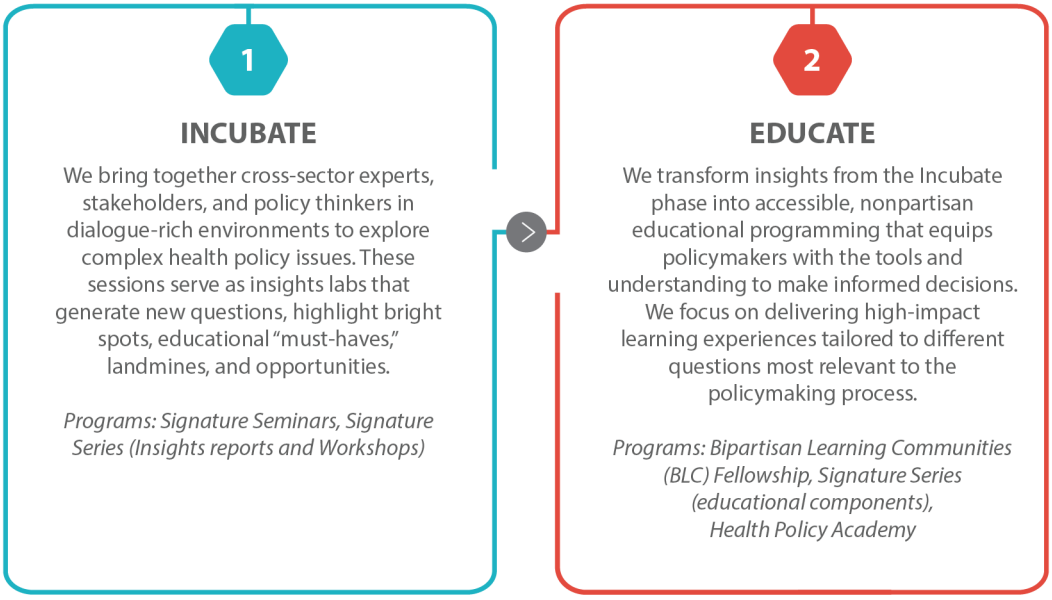
This Insights Report synthesizes those interviews using a layered framework that distinguishes between the "tip of the iceberg"—the highly visible topics dominating current policy discussions—and the deeper trends and structural dynamics that are less visible but more consequential over time. The goal of this report is not to advance specific policy recommendations, but to serve as an educational resource by clarifying some of the current and ongoing issues in health care payment and how different policy choices interact across the broader health system.

About the Alliance for Health Policy

The Alliance for Health Policy is a nonpartisan, nonprofit organization dedicated to helping policymakers and the public better understand health policy, the roots of the nation's health care issues, and the trade-offs posed by various proposals for change.

THE ALLIANCE'S INCUBATE TO EDUCATE MODEL

The Alliance applies a unique two-part "Incubate to Educate" model to its programming.

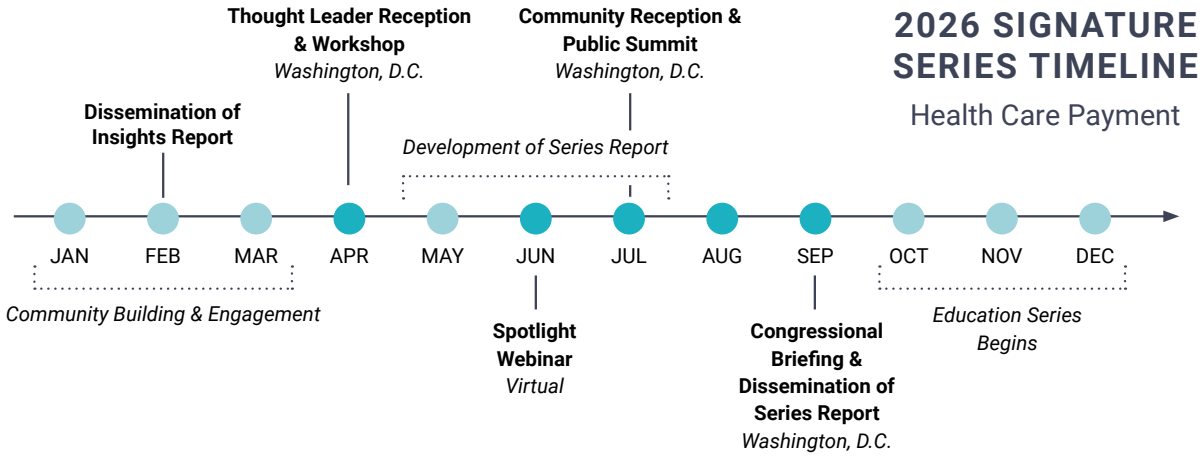


The Signature Series represents both phases of the Alliance's two-step program lifecycle:

"**Incubate**," which consists of insight development, strategy workshops, and reports to inform educational programming.

"**Educate**," where the Alliance hosts educational curriculum to prepare legislative staff and the broader policy community on the building blocks and emerging issues in health policy.

The Series is designed to build on the insights gathered from previous activities and creates a dynamic, continuous learning experience. These programs integrate diverse viewpoints, ensuring a comprehensive approach to each topic. The framework facilitates not only education but also the incubation of ideas, allowing for deeper exploration and actionable solutions.



Alongside these events, the Alliance maintains an ongoing, iterative process of engagement with frontline experts, academics, and stakeholders through focus group sessions, office hours, and other facilitated discussions. This ensures that the latest insights are continuously incorporated into the evolving framework.

III. BACKGROUND

Listening Tour Summary

From November through December 2025, the Alliance for Health Policy conducted 15 in-depth interviews (IDIs) with leading experts in health care payment policy to produce this report. This report presents an overview of the current health care payment landscape, highlights qualitative findings on the most pressing gaps and priorities in payment policy, and identifies opportunities for future discussion.

Design and Methods

Participants represented a broad cross-section of the health policy community, including patient advocates, federal and state policymakers, nonprofit organizations, public and private payers, and private-sector stakeholders. Selection criteria prioritized representation of bipartisan, multi-stakeholder perspectives, as well as policy and political expertise that reflect the breadth of the Alliance community. The 30-minute IDIs were conducted via Zoom and followed a semi-structured interview format. Findings are qualitative and provide directional insights.

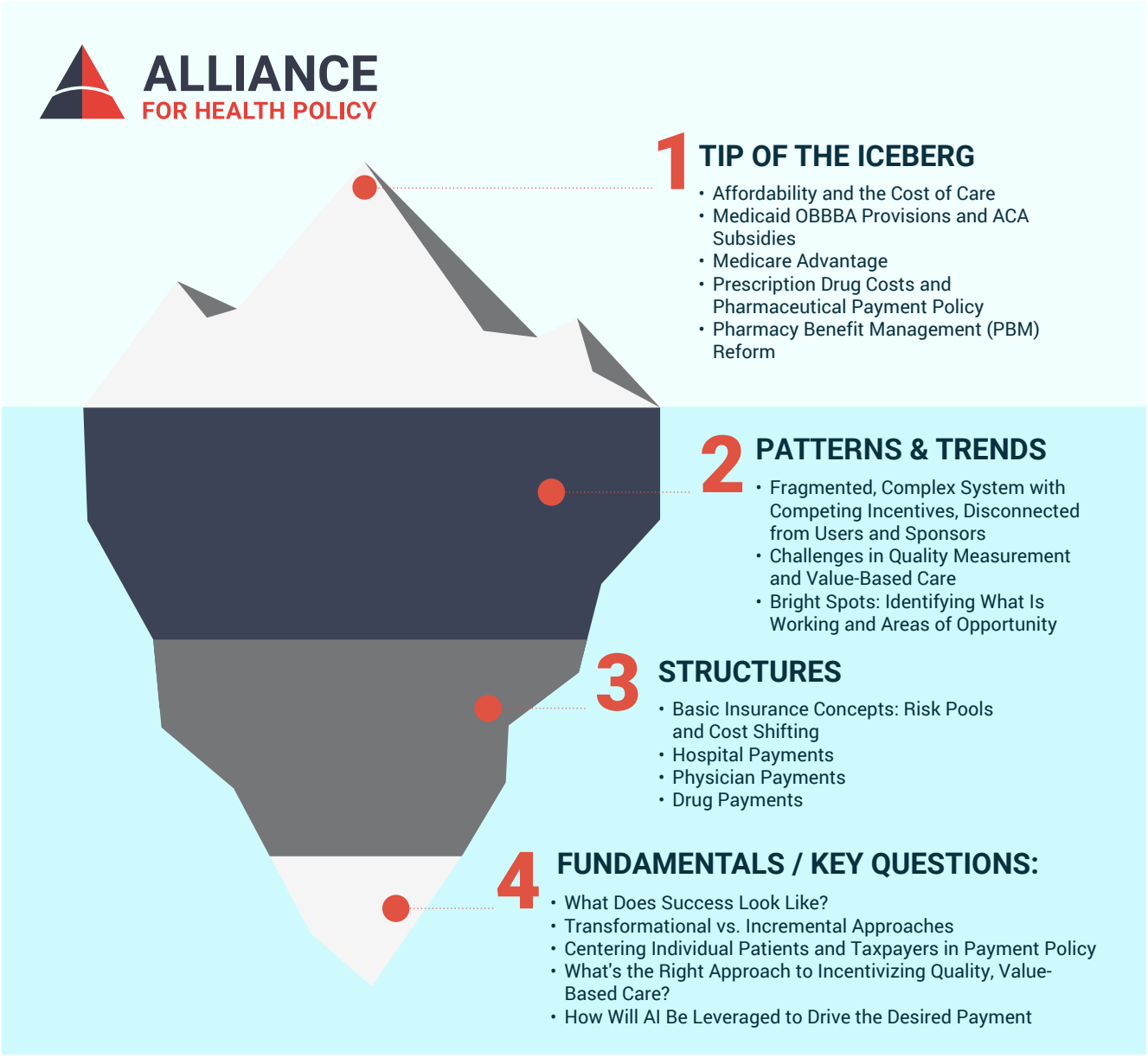
Outcomes

Insights from these IDIs will inform the 2026 Signature Series, which brings together a wider set of voices from across the health care policy community to explore this high-priority topic. These learnings will become the basis upon which the Alliance will create the Health Care Payment Thought Leader Workshop and subsequent educational programming, including the Spotlight Webinar, Public Summit, and Congressional Briefing.

IV. THE ICEBERG MODEL: FROM TIMELY ISSUES TO SYSTEMIC AND FUNDAMENTAL INSIGHTS

The Alliance uses a structured framework to organize expert perspectives on health care payment. This approach draws on the "iceberg model" from systems thinking, first introduced by anthropologist Edward T. Hall to illustrate how much of culture and communication lies beneath what is visible. Systems thinking not only identifies individual elements within a structure but also highlights how they interact and influence one another. It has been widely adopted in organizational strategy, business and management, and the public and private sectors.

Applied to health care payment, this model underscores that the issues most frequently debated in Congress and the media represent only the most-discussed portion of the policy landscape. Beneath those headline topics lie patterns, structures, and foundational questions that powerfully shape affordability, access, quality, and sustainability. This framework allows the Alliance to situate urgent policy debates within a broader context, connecting near-term decisions to longer-term system dynamics.



Tip of the Iceberg: Hot Topics in the Payment Landscape

At the tip of the iceberg are the most prevalent and politically salient health care payment issues, including affordability and out-of-pocket costs, Medicaid provisions in the One Big Beautiful Bill Act (OBBBA), ACA premium subsidies, Medicare Advantage payment and oversight, prescription drug pricing, and PBM practices. These topics dominate hearings, media coverage, and advocacy because they reflect immediate pressures on patients, employers, providers, payers, political conversations, and public budgets. While urgent, experts noted these debates often focus on symptoms, such as rising premiums or drug prices, rather than the underlying payment dynamics driving them.

Below the Surface: Patterns and Trends

Beneath the surface are medium-term patterns shaping how payment functions. Interviewees described a fragmented and complex system, with multiple payers and rules that obscure how dollars flow and distance decision-making from those who ultimately finance care. Experts highlighted persistent challenges in measuring quality and scaling value-based care, alongside emerging bright spots such as alternative payment models, primary care investment, and rural health initiatives.

A Bit Deeper: Structures That Impact the Policy Environment

Deeper still are structural features such as risk pooling, cross-subsidization, and cost shifting that are often poorly understood but strongly shape outcomes. Changes in one part of the system frequently reappear as costs elsewhere. Interviewees pointed to public program underpayment, budget neutrality requirements, opaque drug payment mechanisms, and administrative complexity as drivers of consolidation, workforce strain, and rising commercial premiums.

Fundamentals / Key Questions: Opportunities for Greater Exploration and Understanding

At the foundation are the least-discussed but most consequential questions: What is the goal of the health care system? What should payment be designed to achieve? How should quality and value be defined and rewarded? Experts emphasized centering patients and taxpayers in these discussions and raised questions about how emerging tools, such as artificial intelligence, could either improve transparency and efficiency, or worsen complexity, depending on how they are governed and paid for.

V. TIP OF THE ICEBERG: HOT TOPICS IN THE HEALTH CARE PAYMENT LANDSCAPE

Across interviews, experts identified a set of highly visible and politically pressing issues in current health care payment discussions. These topics surface most frequently in congressional debates, media coverage, and stakeholder advocacy, reflecting immediate pressures on patients, providers, payers, employers, and federal and state budgets. While urgent, interviewees emphasized that these issues represent only the most visible layer of a complex and interconnected payment system.

Affordability and the Cost of Care

Affordability and the cost of care emerged as the most universally cited concern at the tip of the iceberg. Experts described growing strain on consumers who increasingly struggle to afford coverage or care, whether that is premiums, deductibles, cost-sharing, and prescription drugs, even when insured. This challenge was framed not only as a consumer issue, but as a systemic one affecting ESI, marketplace stability, Medicaid and Medicare programs, and provider sustainability.

Interviewees emphasized that policy discussions often focus on out-of-pocket costs without sufficient attention to the total cost of care, including the rising price of ESI and the underlying drivers of health care spending. Several noted that affordability concerns are shaping public sentiment, with many Americans reporting fear of medical bills even when they have coverage. Experts stressed that rising costs across all health care services and products, from hospital care and physician services to prescription drugs and administrative functions, create pressure for higher payments throughout the system, regardless of payer or coverage type. There was some discussion of current policy proposals, including health savings accounts (HSAs) and broader tax approaches, but no agreement on policy solutions on the near-term horizon.

> *"We have sort of a unifying challenge across all sectors within health care, which is the cost of health care. The characteristics or the nature of that challenge vary quite substantially across sectors."*
>
> - Former Government Executive

> *"Medical bankruptcies are the leading cause of bankruptcy in the United States. More than half of Americans believe that they will not be able to afford their medical bills next year. The human framing … of people feeling like they cannot afford health care even if they have insurance…cannot get lost."*
>
> - Director, Biotech Trade Association

> *"We're one of the world's wealthiest nations and we have so many individuals who are unable to receive health care."*
>
> - Senior Policy Leader, Hospital Association

> *"You know, it's not a perfect storm. And it's not even a tsunami. It's climate change".*
>
> - Senior Policy Leader, Hospital Association

Medicaid Provisions in the One Big Beautiful Bill Act (OBBBA) and Affordable Care Act (ACA) Premium Subsidies

In the wake of recent passage of the One Big Beautiful Bill Act (OBBBA) and the debate over Affordable Care Act (ACA) tax credit extensions, interviewees frequently pointed out the impacts of both policies in reducing the number of Americans enrolled in government-supported health care coverage, along with the impacts on individuals and the system. Experts expressed concern about the expiration or restructuring of enhanced subsidies, warning that significant premium increases could lead to coverage losses, adverse selection, and market destabilization.

Several noted that while subsidies play an important role in maintaining coverage and stabilizing the individual market, they do not address the underlying cost of care or insurance. As a result, subsidies were often described as a temporary or blunt tool that are essential in the short-term, but insufficient as a long-term affordability strategy. Interviewees emphasized that policymakers often debate subsidy levels without grappling with broader questions about pricing, payment structures, and cost drivers that ultimately determine premiums.

"We're going to see people fall off Medicaid, drop exchange coverage, and become uninsured. Then providers see less revenue but sicker patients coming through ERs who still have to be treated. And what does that do? It increases everybody else's premiums again, which are already going up."

- Reimbursement Leader, Biotech Company

"[Political positions] on subsidies are being kind of turned on their head now. Actually, maybe that creates some space to do some sweeping changes."

- Executive, Value Research Organization

"We have a significant access problem coming our way. I think that Medicaid is being destabilized. I think that the marketplaces are being destabilized. And I think that we are losing healthy people because the cost of premiums are going to increase so much. It's like a death spiral in insurance where the healthy will choose to go bare [forgo enrolling in an insurance plan]."

- Senior Policy Leader, Hospital Association

Medicare Advantage

Medicare Advantage (MA) emerged as one of the most prominent focal points in current health care payment debates. Interviewees cited concerns about payment accuracy, coding intensity, oversight and guardrails, and the growing fiscal implications of MA enrollment relative to traditional Medicare. Several experts noted heightened bipartisan interest in reassessing MA payments through both legislative and regulatory approaches, reflecting broader concern about Medicare sustainability and federal spending.

"We've really shifted more thinking about Medicare Advantage because that's…where the future is."

- Senior Policy Leader, Hospital Association

"There has been renewed recognition that [Medicare Advantage] payments need to be brought better under control."

- Senior Leader, Federal Agency

"Dynamics that kind of mirror the historical Medicare SGR and Medicaid DSH, where there are reductions put in place, but when push comes to shove, we're constantly reevaluating and delaying."

- Executive, Government Payment Organization

"MA–CMS is a very hands-off approach with the non-interference clause when it comes to payment that says, we can't interfere with what the plan pays."

- Senior Policy Leader, Hospital Association

Pharmacy Benefit Management Reform

Alongside concerns about drug pricing, PBM practices were frequently cited as flashpoints in recent payment discussions. Interviewees described growing complaints from providers and patients related to administrative burden, delays in care, and lack of transparency, and an increased bipartisan interest for policymakers to make changes. At the same time, experts cautioned against focusing on intermediaries in isolation, emphasizing that narrow reforms risk unintended consequences if not considered within the full payment ecosystem. They also noted the small overall contribution to the spend that is being discussed in relation to PBM reform.

"PBM reform is a big focus because many consumers see drug costs."

- Policy Leader, Payer Association

"You can't have middlemen without the prices going up"

- Executive, Value Research Organization

"90-plus percent of the political attention is on 15 percent of the health care spend [PBMs]."

- Expert, Pharmacy Reimbursement

VI. BELOW THE SURFACE: PATTERNS AND TRENDS

Beneath the above hot topics, experts identified deeper trends shaping the health care payment landscape. These dynamics influence incentives, market behavior, and policy outcomes in ways that are less visible but more consequential over time.

Fragmented, Complex System with Competing Incentives, Disconnected from Users and Sponsors

A dominant theme across interviews was the fragmentation of the U.S. health care payment system. Experts described a landscape defined by multiple administrators, payers, overlapping programs, gaps, and divergent rules across Medicare, Medicaid, ESI, and commercial markets. This complexity was cited as a major barrier to effective education and policymaking and disconnected from those subsidizing the system—from employers to taxpayers. With this level of complexity, interviewees emphasized that policymakers and staff often lack a clear, high-level understanding of how dollars flow through the system, from federal and state financing to provider reimbursement to patient costs. Even experienced health staff may struggle to navigate distinctions between payment, financing, and spending, limiting the effectiveness of sound policy interventions.

> *"There's a lot of complexity, silos in these payment systems that cause confusion."*
>
> - Senior Leader, Federal Agency

> *"Huge fragmentation and overall confusion about payment."*
>
> - Senior Policy Executive, Aging Nonprofit

> *"A PhD level discussion needs to happen in policy circles in order to advance sound health payment policies. We live in a world of election cycles."*
>
> - Policy Leader, Consumer Health Policy Organization

> *"We're starting from an awfully expensive system in a very large country that has lots of diverse markets and populations."*
>
> - Policy Expert, Think Tank

> *"It's a data ecosystem problem in the sense that if there isn't disclosure or transparency around the payment levels… [for example,] employees complain that they have no idea what their portion of the payment is going to be when they go in to see the provider."*
>
> - Former Government Executive

> *"If policy makers would put down hammers and pick up scalpels and think creatively, honestly, we do not need such draconian blunt instruments that create instability. But right now, we have a whole bunch of hammers and not a lot of scalpels."*
>
> - Senior Policy Leader, Hospital Association

> *"Financial relationships among all the stakeholders engaged in payment from the health care system are incredibly opaque and totally misaligned."*
>
> - Senior Policy Executive, Aging Nonprofit

Challenges in Quality Measurement and Value-Based Care

Experts consistently highlighted challenges related to measuring quality and aligning payment with desired outcomes. While there is broad consensus on the importance of quality, interviewees noted that there is far less agreement on how to define, measure, and pay for it, and that progress has been incremental. Several interviewees noted that while fee-for-service incentives are widely acknowledged as problematic, value-based alternatives remain difficult to implement, scale, and evaluate, particularly when quality measures are imperfect or burdensome. Some described frustration with models that emphasize reporting requirements and infrastructure investments rather than demonstrable improvements in care delivery or outcomes.

> *"The fee-for-service incentives are all misaligned."*
>
> - Senior Leader, Federal Agency

> *"We continue to struggle over the last 25 years to get reimbursement right, to incentivize the right types of services and the right kinds of access."*
>
> - Executive, Federal Budget Institution

> *"Getting folks into accountable care or some version of accountable care is a lofty but necessary goal. Getting off the fee for service hamster wheel."*
>
> - Policy Leader, Consumer Health Policy Organization

> *"[So far] there are [only] small successes in value-based payment. Our science isn't there, but we're never going to get there if we don't continue to reach for that. Part of the challenge is really having the right things to measure."*
>
> - Executive, Federal Budget Institution

> *"Quality, who's against quality? Everyone's for quality, but no one knows how to improve quality."*
>
> - Senior Policy Leader, Hospital Association

> *"For the amount of time that value-based payment has been around, it's somewhat stunning that we haven't really figured out what value looks like in the health care system that we are buying."*
>
> - Executive, Government Payment Organization

> *"It is important to look at how we enable providers more freedom in what they do so they aren't beholden to a fee schedule, explore alternative practice models, freeing MDs to practice and provide services in a way they find more appropriate... But there are still models proposed today that are upside risk only. That is not changing the paradigm. If there is no downside risk, if there is no outcomes-based payment, then we are not moving forward as a country."*
>
> - Senior Leader, Federal Agency

Bright Spots: Identifying What Is Working and Areas of Opportunity

While the discussions were filled with challenges, interviewees emphasized the importance of identifying elements of the current system that function effectively, rather than focusing exclusively on shortcomings. Several noted that certain aspects of Medicare, Medicaid, and alternative payment models have demonstrated success in controlling costs or improving access, yet these lessons are often lost in broader critiques of the system. Experts also noted bright spots and areas of near-term opportunity to build towards a more constructive approach to payment.

> *"There's all sorts of innovation that is bubbling around. Narrow network plans, as the health care system dissolves and as these payment differentials get larger and there's more dysfunction, narrow network plans just look better and better."*
>
> - Former Government Executive

> *"There's a keen interest in finding solutions to ensure access to care in rural areas ... regardless of the type of provider."*
>
> - Executive, Federal Budget Institution

> *"I think we can put a whole bunch of money into the laps of states to then do things that are truly transformational and that can challenge the status quo. And then more narrowly, I think we are really fixated on the AHEAD model under CMMI and whether states are going to be taking money from taking the funding opportunity under the rural health transformation fund to catalyze some version of their own AHEAD models in rural communities. I think there are sort of like, flecks of hope, I think, in the next one."*
>
> - Policy Leader, Consumer Health Policy Organization

> *"There needs to be more attention paid to reimbursing and shoring up primary care services."*
>
> - Executive, Federal Budget Institution

VII. A BIT DEEPER: STRUCTURES THAT IMPACT THE POLICY ENVIRONMENT

Beyond the most politically pressing policy issues and emerging trends lie the complex structural foundations of the health care payment system. These structures, embedded in insurance design, payment methodologies, and market relationships, shape costs, access, and outcomes regardless of short-term policy changes.

Basic Insurance Concepts: Risk Pools and Cost Shifting

Interviewees emphasized that many payment challenges stem from policies that don't adequately incorporate key insurance concepts. Risk pooling, cross-subsidization, and cost shifting were frequently cited as current foundational dynamics that are poorly understood in policy debates. Experts noted the proverbial pushing down on one side of a balloon: when policymakers focus narrowly on reducing payments in one area, costs often reappear elsewhere. Reductions in public program payments can increase commercial premiums; cuts to coverage can raise uncompensated care costs, for example. Understanding these dynamics was viewed as essential for evaluating the real impact of payment reforms.

> *"You can't look at just one piece [of rising insurance premiums], you have to look at what's underlying those actuarial decisions. The fact that premiums are rising are based on actuarial data. Because issuers have to pay for increases in things like…drugs, biologics, MRIs…a range of hospital costs."*
>
> - Policy Leader, Payer Association

> *"Such disparate prices [are] very problematic. Payments in many other industries are very efficient. I can go online and pay my utility bill. It's all very efficient. And so from an efficiency standpoint, I think we have severe problems that are hampering efficiency and adding to costs."*
>
> - Former Government Executive

> *"I don't think that they [Congress] have a consciousness of how the government payments relate to the broader ecosystem. And it's the classic health policy squeezing on a balloon."*
>
> - Former Government Executive

> *"There is a kind of unspoken theory that increased payment led to increased access. But when you go through the literature to find out what has been empirically proven. And the answer actually is not that much."*
>
> - Executive, Government Payment Organization

Hospital Payments

Hospital payment structures were identified as a major component of spending and driver of system-wide dynamics. Interviewees highlighted chronic underpayment by public programs, particularly Medicaid, and the resulting pressure on hospital finances. Hospitals' unique role in providing emergency care, 24/7 access, maintaining standby capacity, and serving uninsured patients was cited as a key factor impacting payment discussions. As with many issues, the hospital payment policy topic included discussions of potential unintended consequences. Experts noted bipartisan momentum on site-neutral payment policy and cautioned that while appealing as cost-containment tools, they may fail to account for hospitals' fixed costs and community obligations. Respondents noted that, especially in the wake of hospital financial difficulties in the wake of COVID-19 and the slow pace of recovery, stable and predictable hospital reimbursement was framed as essential for maintaining access, supporting workforce investment, and enabling innovation.

> *"In a survey of physicians who closed their practices in the last 10 years, the top three reasons were inadequate payment, lack of access to costly resources, and the need for help to comply with administrative burdens."*
>
> - Senior Policy Leader, Medical Society

> *"Medicare pays hospitals an average of 83 cents on the dollar. And that Medicaid pays hospitals an average of 91 cents on the dollar right now. And that those two things have to be made up because hospitals can't provide care to patients when they are significantly underfunded. So they shift that cost to commercial payers, which is really employers, and they have to make up that difference."*
>
> - Senior Policy Leader, Hospital Association

"Site-neutral [payment policy] is a very easy argument to make, and it…intuitively makes sense, until your hospital isn't there."
- Senior Policy Leader, Hospital Association

"Hospitals are like big aircraft carriers. They can't move on a dime necessarily. And payment changes have tremendous impact and they need time to adjust to those."
- Senior Policy Leader, Hospital Association

Physician Payments

Physician payment structures were described as increasingly strained and misaligned with care delivery goals. Interviewees highlighted stagnant Medicare payment updates, budget neutrality requirements, and administrative burden as key pressures driving consolidation and practice sales, and lowering interest in following the physician career path. Several experts noted that physicians often want to improve care delivery but are constrained by fee schedules and reporting requirements. Inadequate payment flexibility and uncertainty around future reimbursement were cited as barriers to investment in technology, care coordination, and workforce development.

"We already have workforce shortages. We don't have anyone who wants to be a doctor. And if they do, they go into pharmaceuticals or even insurers. We don't have doctors for patients by the bedside."
- Senior Policy Leader, Hospital Association

"Payment reform should be coupled with some sort of workforce investment."
- Policy Leader, Consumer Health Policy Organization

"There needs to be more attention paid to reimbursing and shoring up primary care services and the move to increase use of nurse practitioners, physician assistants, and advanced clinical personnel. That will help rein in more costly services."
- Executive, Federal Budget Institution

"The MIPS program creates what's called this reverse Robinhood Effect, taking from under-resourced practices and giving to practices that have a lot of resources, that can commit staff time or hire consultants to help them understand the program."
- Senior Policy Leader, Medical Society

Drug Payments

Drug payment structures were described as particularly opaque and complex. Interviewees highlighted how Average Sales Price based reimbursement (ASP), rebates, PBMs, and programs such as 340B interact in ways that can distort incentives and obscure true costs. Some experts emphasized that drug payment policy often incentivizes higher-priced products and shifts costs across payers, rather than rewarding clinical value. While there is bipartisan interest in drug pricing reform, interviewees cautioned that durable solutions require addressing the full drug payment and distribution system rather than targeting individual components in isolation.

"Drug manufacturers, for the first time, do not have the most favored nation status, that they don't get paid for a subset of drugs and might not be enough. They are now told, basically, what the government will pay for that drug."
- Senior Policy Leader, Hospital Association

"Pharmaceutical companies have to hold down their costs. They have to. They can't use the U.S. to recover all their R&D."
- Senior Policy Leader, Hospital Association

"We've seen the studies that show that 340B hospitals use higher priced Medicare drugs and Medicare spends more money on drugs at those hospitals than…in a comparable facility."
- Reimbursement Leader, Biotech Company

"We might be fixing one area [in drug pricing], what's missed is how much will it cost to implement the payment? How much does it help the patient as a whole? And what are all the downstream effects? We've seen this just a few weeks ago when Bausch Health pulled out of the Medicaid program entirely because of the AMP cap situation."
- Expert, Pharmacy Reimbursement

VIII. FUNDAMENTALS / KEY QUESTIONS

Transformative Change

When discussing long-term opportunities, respondents were mixed on the likelihood of transformative change. Some thought transformational change was needed, while others thought incremental changes were still the most likely route for progress. The fundamental and key questions that emerged were about the goals of the system, and the appetite for change to meet them.

> *"It's important that the big picture discussion doesn't start with payment; start with what are you trying to achieve, what are the goals, what needs to occur to meet those goals. Payment is a means to an end."*
>
> - Senior Leader, Federal Agency

What Does Success Look Like?

Definitions of success ranged from access to care to improved outcomes and greater consumer choice. For some respondents, the focus on complexities of the current system makes a broader view of a positive and wished-for future difficult to imagine.

> *"Success would be consumers able to get both the care and coverage that they need at affordable prices."*
>
> - Policy Leader, Payer Association

> *"From a consumer perspective: it's people empowered to make decisions, based on the data available to them, expand their choices."*
>
> - Senior Leader, Federal Agency

> *"Measures and outcomes improve. I think that would be a wonderful outcome."*
>
> - Policy Expert, Think Tank

Transformational vs. Incremental Approaches

Respondents differed on how likely transformational change was, even when they largely agreed that it was needed. Some felt incrementalism was necessary, whereas others felt it was time to embrace potentially disruptive, forward-looking approaches. Some argued for a combination of both approaches.

> *"I don't spend my time on systemic change because…I don't see systemic change coming down the pike over the next 10 years."*
>
> - Former Government Executive

> *"We need a couple of big bang transformational ideas, but there are also things we can do incrementally to make an impact."*
>
> - Senior Leader, Federal Agency

> *"I think it has to be incremental change, but it has to be continued incremental change…It needs to be something that doesn't drastically rock the boat but enough that it can actually move things forward."*
>
> - Policy Leader, Payer Association

> *"Not all spending is bad. Some policies ought to be ripped up from the root and some just need to be sort of massaged a little bit and everything in between."*
>
> - Policy Expert, Think Tank

> *"I don't think that Congress will act…until this is burnt down to the ground. And then hopefully a Phoenix will rise up from the ashes."*
>
> - Senior Policy Leader, Hospital Association

Centering Individual Patients and Taxpayers in Payment Policy

Respondents noted that the most affected and least empowered voices in the conversations about payment are both the recipients of health care and those paying into the system, including employers, individuals, and others who contribute to payment via taxes and premiums.

> *"The beneficiary voice is completely lost in a lot of these policy conversations."*
>
> - Policy Leader, Consumer Health Policy Organization

> *"We've got to maybe get...better about figuring out what we want to pay for and how."*
>
> - Executive, Government Payment Organization

What's the Right Approach to Incentivizing Quality, Value-Based Care?

Understanding how to synthesize learnings from value-based care to date and incorporate them, along with an appetite to consider today's understanding of value, was a persistent theme among many perspectives represented.

> *"I don't think that we have even really figured out what value looks like in the health care system. A lot of times we are paying for data, we're paying for an infrastructure on how to measure, but we're clearly not driving towards paying for improved outcomes."*
>
> - Executive, Government Payment Organization

> *"Should there be more standardization? Should there be a standard health encounter? Or more, more movement to standardizing that and standardizing the exchange of information and the collection of data and the standardization of data."*
>
> - Executive, Federal Budget Institution

> *"Value-based care has its place, but arguing about whether we should have more of it or less of it isn't productive. The issue is whether the models actually work for physicians and patients."*
>
> - Senior Policy Leader, Medical Society

How Will AI Be Leveraged to Drive the Desired Payment Environment?

As with nearly all topics in 2025, the role of AI was raised by respondents as being both a challenge and opportunity in health care payment: an opportunity to lower administrative burden on practitioners, increase the ability of physicians to retain and incorporate patient-shared information into care, and to potentially alleviate some of the workforce challenges that impact cost and price of health care services. It was also noted that it can be a tool to perpetuate a lack of transparency and worsen access challenges for patients.

> *"So what's AI going to do to really advance health care delivery? How should we pay for it? You know, I think we're still grappling with how we should pay for telehealth as well. So it's, it's all of, you know, we're the federal government in particular, but I think because in health care, the commercial markets are often following the signal of Medicare."*
>
> - Executive, Federal Budget Institution

> *"I wonder if [applying AI] is going to be like a sort of an untenable monster ... [as] AI is being fed into all of these payment systems."*
>
> - Executive, Value Research Organization

> *"And then we think of all of the back office type of activities that AI could be involved in ... regulatory policy oversight of use, privacy issues, all of those things are not getting the attention that they need, in my opinion."*
>
> - Executive, Federal Budget Institution

> *"We now have AI. Can that solve some of our backroom functions? But the problem is what we're seeing is that AI is being used …to delay care or deny care."*
>
> - Senior Policy Leader, Hospital Association

IX. CONCLUSION

The intersection of health care and the policies that govern how goods and services are paid for is so complex that most experts specialize in one narrow area. At the same time, there are themes that cross payment policy approaches that are worth investigating holistically.

While experts differed in which areas needed the most attention, which were most likely to change, and the opportunity for incremental or transformational change, they agreed that the current system suffers from complexity, conflicting or misaligned incentives, and rising costs. While respondents warned of unintended consequences, none took the position that the current system represents an ideal.

The fundamentals / key questions offer an opportunity to understand and find areas of alignment and potentially constructive areas of policy in the future.

ALLIANCE
FOR HEALTH POLICY