

ARTICLE

The future of health plans: Three focus areas to transform from untenable position to sustainable impact by 2030

2026 health plan outlook

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<https://www.healthscape.com/insights/future-health-plans-three-focus-areas-transform-untenable-position-sustainable-impact-2030>

As 2026 gets underway, US health plans are entering a defining period. While they must grapple with unprecedented operational pressures today, their decisions and actions now will determine how they will compete in a fundamentally different environment.

Health plans must operate on two horizons: (1) stabilize performance in the short term and (2) build capabilities for the future, with digital transformation helping to create long-term affordability for members, drive member engagement, and design a new paradigm for provider collaboration.

As many health plans become increasingly diversified portfolio enterprises, they will need to manage both their insurance and non-insurance businesses as they prepare for the future. In this perspective, we focus on the health insurance business itself, which will require material strategic repositioning over the next few years in a rapidly changing and consolidating market.

Forces are converging toward transformation

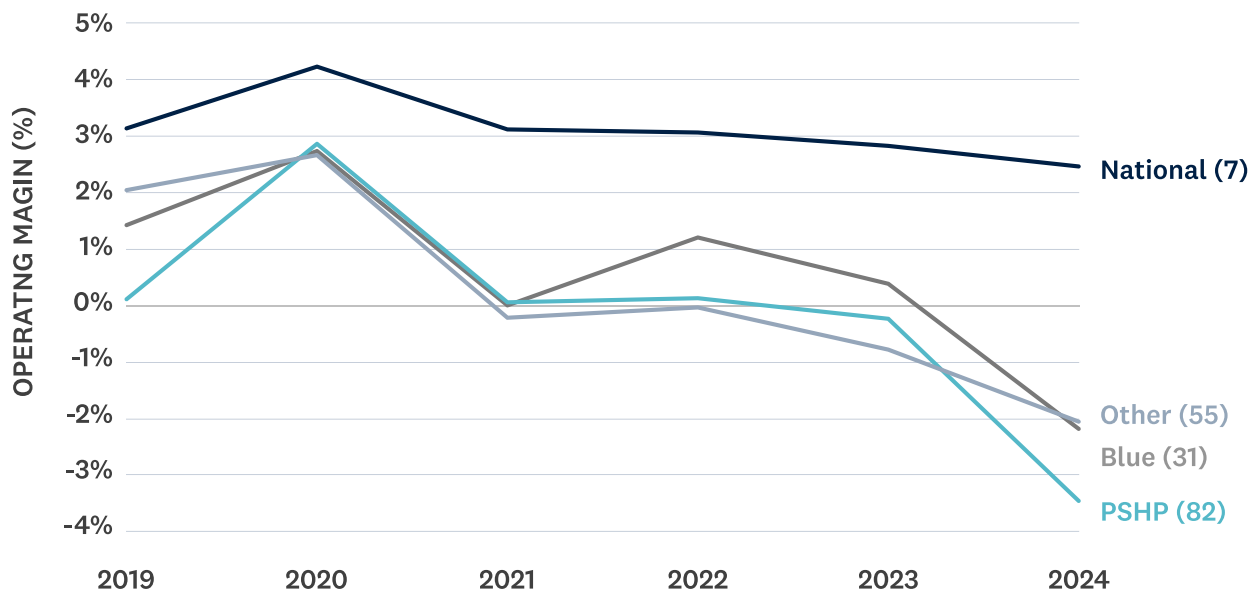
Health plans face a convergence of pressures and opportunities that make a foundational transformation both necessary and increasingly possible.

- **Affordability has become the defining issue and binding constraint on transformation.** Healthcare costs are rising faster than income and revenue, driving changes in employer purchasing strategies, enrollment patterns, and other consumer behavior.

- **Disruption is accelerating across the ecosystem.** New entrants and models aim to create greater control of cost, bypass traditional insurance structures, and reduce administrative load.
- **Tensions are escalating between health plans and providers as they are both under pressure to reduce costs.** They will need to work together to overcome the root problems.
- **Uncertainty and rapid policy changes are creating a challenging compliance environment.** Organizations are often scrambling to adapt, even as the overall regulatory landscape makes systemic change difficult.
- **Advanced digital and AI tools are unlocking transformative operational, clinical, and personalization capabilities.** However, this requires up-front capital, modernized data infrastructure, and new organizational skill sets.

Health plans are in an incredibly difficult position—they must deliver immediate financial performance while simultaneously preparing for a very different future. Striking a balance between near-term and long-term goals will be the defining strategic challenge of 2026. Successful health plans will help transform the healthcare ecosystem for greater affordability and better health outcomes.

2019–2024 MEDIAN OPERATING MARGIN BY PLAN COHORT, N=175



Note: Data is aggregated at the parent level and does not include plans with a “specialty” focus, based on NAIC company demographic information. Outliers were excluded from the analysis (e.g., plans with margins more than 50% or less than 50% for the year 2024). Operating margin is calculated at the parent level (total revenue – minus expenses/total revenue) across commercial, Medicare Advantage, and Medicaid LOBs. Select California plans (notably Kaiser) are excluded from this analysis due to the incomplete CA Department of Managed Health Care (DMHC) financial reporting.

Source: HealthScape analysis of NAIC and California DMHC via Mark Farrah and Associates

Key areas successful health plans will focus on over the next 5 years

The financial pressures confronting health plans today are raising existential questions about the sustainability of their current business models. Performance trends suggest this is not merely a temporary underwriting cycle but rather a material industry reset.

In addition to addressing immediate performance challenges, leaders who aim to position their organizations for long-term success must also begin advancing a multi-year strategic transformation. This transformation requires focus on several core priorities:

1. Address the affordability problem with sustainability as the guiding principle
2. Establish a modern digital ecosystem that enables the next-generation delivery and operating model
3. Reenvision collaboration with provider organizations, placing the consumer at the center

Across these areas, health plans can begin taking immediate steps in 2026 while simultaneously developing their multi-year roadmap.

1. Address the affordability problem with sustainability as the guiding principle

Many health plans—particularly Blues, regional not-for-profits, and provider-sponsored health plans—must refocus on the fundamentals of their business. Meeting future performance expectations will require more sophisticated operational capabilities, advanced network strategies, and stronger cost management discipline. Optimizing these capabilities will lay an essential foundation to address the financial performance problem and free up capital to invest in the necessary next-gen capabilities.

Health plans have faced a persistent chicken-and-egg dynamic that has shaped most payer strategy conversations over the past 2 years: They need affordability to fund transformation, but they need transformation to achieve affordability.

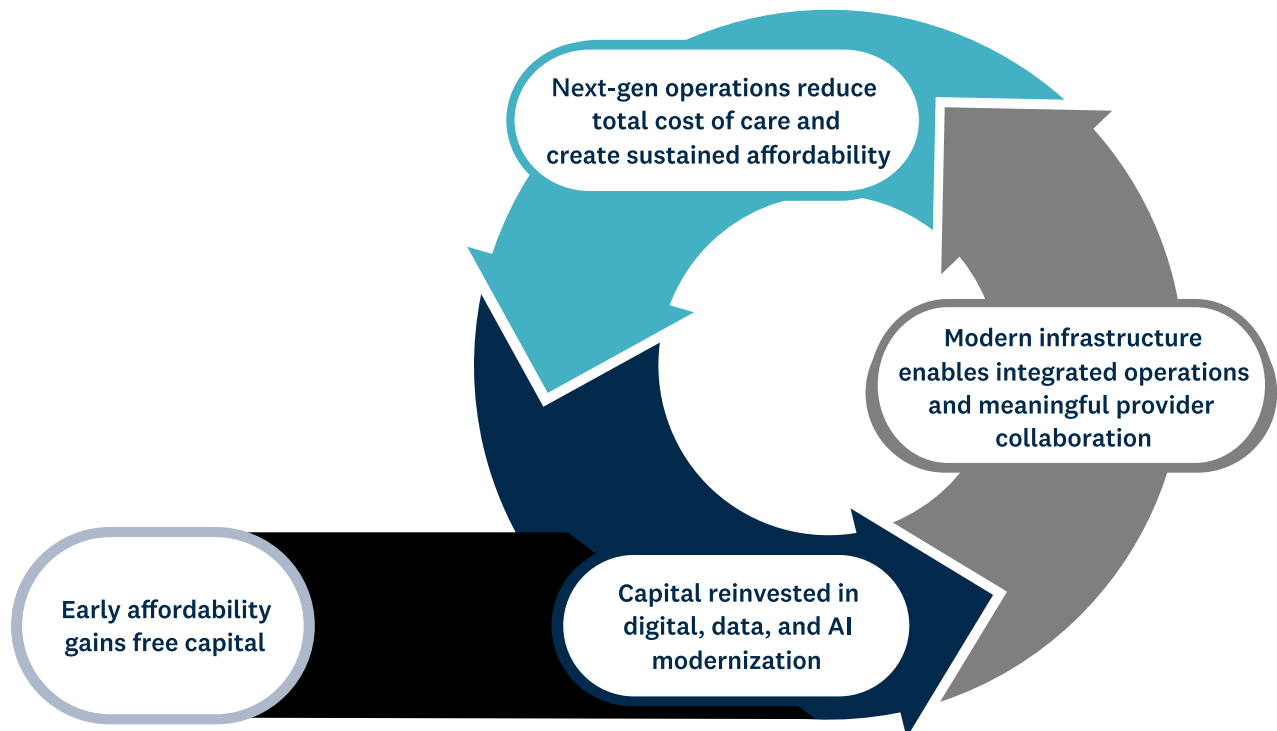
Many health plans have focused on the necessary early steps to contain costs—pursuing near-term initiatives such as strengthening payment integrity, optimizing site of care, and refining medical policies. While these incremental steps are necessary, every leader knows they are insufficient to solve affordability.

This raises an essential question: **What must be true to achieve sustainable affordability?**

- Care management must shift to a more proactive model encompassing specialty care and behavioral health integration
- Payment models must pay for proactive, value-based care

- Pharmacy management must keep pace with the rapid acceleration of biotech innovation
- Consumers must experience less friction through more innovative product design, greater transparency, and easier navigation
- Analytic and actuarial precision must improve to avoid continued mispricing of risk

STARTING WITH HIGH-YIELD AFFORDABILITY INITIATIVES CAN JUMPSTART A VIRTUOUS CYCLE FOR TRANSFORMATION



The list is daunting, and for many leaders, none of it is new. The real work is sequencing and executing these shifts in a way that creates a new virtuous cycle:

- Early stage savings that free capital
- Capital that funds modernization
- Modernization that improves cost management, experience, and performance
- Gains that enable continued reinvestment for the long term

Where to start becomes a key question. The most effective and logical path is to focus on a subset of high-yield initiatives—such as improving specialty care management, strengthening pharmacy benefit manager (PBM) performance, and building strong data management and analytics capabilities. The savings generated from these early successes will create the initial capital to fund the next steps toward deeper transformation.

2. Establish a modern digital ecosystem to enable the future delivery model

While each health plan's differentiators will vary, the direction is consistent: health plans must rebuild core functions on a digital and AI-enabled foundation, with the member at the center.

Many health plans have been building a care enablement posture as their future state. Now with the advent of new technologies, health plans can operationally achieve this vision.

Digital and AI capabilities are:

- Delivering personalized, real-time communications and customer service for better patient and provider experiences
- Proactively identifying member health needs and steering appropriate care toward the right settings and providers
- Driving autonomous operations in areas like provider data management, prior authorization, payment integrity, and benefits administration

Achieving this seamless ecosystem requires overcoming substantial barriers as health plans will need a foundation of elastic infrastructure, high-quality data, interoperability, and digital ecosystem that supports speedy development and adoption of business applications. This requires near-term action and investment.

Most health plans today remain bogged down by technical debt, fragmented legacy platforms, and complicated vendor portfolios across each major function.¹ The complexity of the current operating model and pressure to maintain performance make this transformation journey challenging.

While many health plans have started their digital transformation journey with regulatory compliance mandates and financial processing capabilities, health plans need to work toward more holistic transformation. They will need to develop a strong digital core, key organizational capabilities, and business reinvention to enable a dynamic future organization that can operate in hybrid human and agentic ways.

To do this, they will need to establish key organizational capabilities that prioritize and enable AI and other advanced digital tools responsibly and at scale. These capabilities include built-in adaptability for future change and enterprise governance for digital and AI.

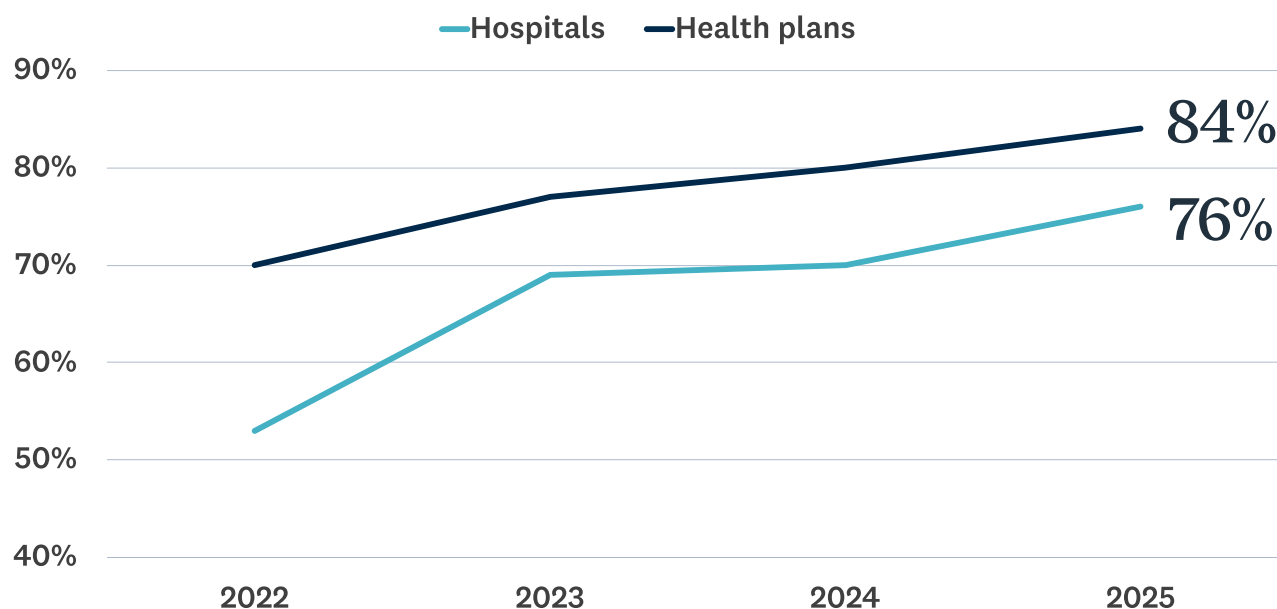
Successful digital modernization will require a clear strategic vision, sustained investment, and organizational readiness. It also will require a disciplined focus on enabling efficiency and affordability gains since health plans will need them to fund continued investment.

¹ In our experience, 20–60% of health plans' IT spends lead to additional technical debt. Conversely, we recommend health plans allocate 10-20% of IT budgets to reducing the debt. This will incrementally decrease "keeping the lights on" expenses and efforts that negatively impact quality.

3. Reenvision collaboration with provider organizations, placing the consumer at the center

The industry has long talked about health plan-provider collaboration, but tensions are at an all-time high. Efforts to control costs have intensified disputes over contracting, prior authorization, and claims processing. These burdens ultimately fall on patients, who must navigate delays, denials, and administrative complexity to meet their basic care needs.

MOST CONSUMERS BELIEVE HEALTH PLANS AND HOSPITALS ARE FOCUSED ON MAKING MONEY VERSUS CARING FOR PATIENTS.



Consumers were asked which statement they agreed with most in each pair: Hospitals in the US are...“mostly focused on making money” or “mostly focused on caring for patients;” and health plans in the US are...“mostly focused on making money” or “mostly focused on caring for patients.”

Jarrard, a Chartis Company, The State of Play: Healthcare in 2025, surveys were fielded in Dec. 2022, Dec. 2023, Sept. 2024, and Jan. 2025. Additional research indicates these numbers have improved slightly since January.

Meanwhile, people are worried about their coverage, how they will pay for care, and whether they will have access to care when they need it. Most consumers do not trust healthcare institutions to prioritize their needs.

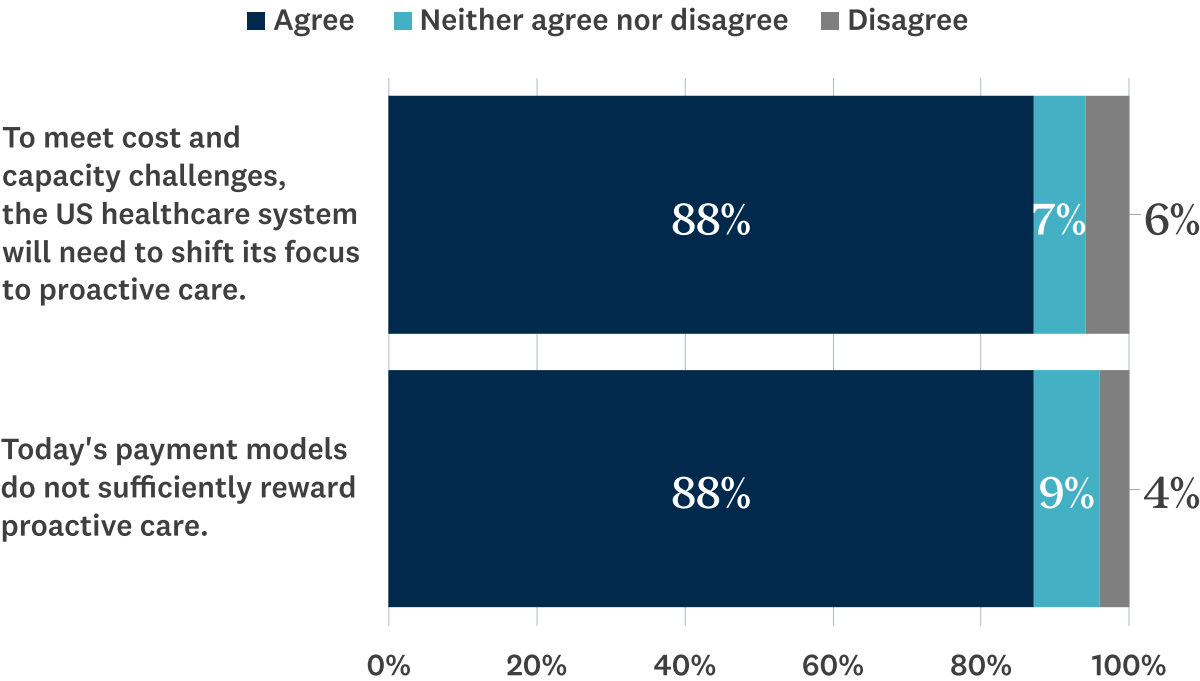
This is both a reputational issue and a strategic imperative. By working together, health plans and provider organizations have an opportunity to actively demonstrate their role in access, affordability, and overall health.

Putting consumers at the center of proactive care delivery requires health plans and provider organizations to collaborate on shared data, interconnectivity, and consumer engagement. Collaboration will enable more cost-effective operations, affordable care, stronger consumer and provider experiences, and better health outcomes.

Key areas will include:

- Helping consumers navigate shifting coverage to enable continued access to care
- Collecting, sharing, and analyzing robust consumer data to better engage consumers and anticipate their care needs
- Proactively scheduling and managing care to enable better outcomes and affordability
- Setting up new ways of paying for care to support a transformed care delivery paradigm

HEALTH SYSTEM EXECUTIVES AGREE THAT HEALTHCARE NEEDS TO BECOME PROACTIVE, BUT PAYMENT MODELS DON'T SUPPORT IT.



Percentages may not equal 100% due to rounding.

Chartis 2025 Digital Transformation Survey, conducted September 2025.

Health plans and providers have known financial considerations and payment structures would underpin industry transformation, spurring many to deploy value-based care (VBC) models for more than a decade. But few VBC models have delivered meaningful or sustained change because they failed to create the financial or operational conditions needed for proactive care. Meanwhile, the need for new payment structures has only grown.

Health plans and provider organizations will need to jointly design simpler, more predictable, and prospective models that align incentives and are tailored to each provider's level of sophistication and readiness. These models need real-time data, interoperable infrastructure, and modern digital tools. Health plans must now invest in these capabilities, overcoming the historical barriers to broader transformation.

While the immediate priority for collaboration is to reduce the friction for providers and consumers, true collaboration ultimately will be the foundation for long-term affordability. Health plans and provider organizations that share this strategic imperative will enable the clinical and financial alignment required to drive success over the next 5 years.

Transforming for tomorrow starts with concrete steps today

Preparing for this industry transformation will require massive advancements in operational capabilities, access to capital, and administrative efficiency. In many cases, these demands necessitate greater scale. For many health plans, the strategic imperative is no longer whether to change but how to compete and remain relevant in a rapidly evolving market.

Executives and boards should be asking foundational questions such as:

- What is our long-term strategic identity in a consolidating market? In which segments, customer groups, geographies, and products can we truly compete and win?
- How will we materially improve affordability for our consumer and employer customers? Do we have the capabilities necessary to succeed at scale?
- Do we have alignment and collaboration with providers to influence cost, quality, and proactive care delivery? If not, how do we build them?
- Is our technology infrastructure viable for the next-generation delivery model? How will we fund the required investments in AI and digital capabilities?
- How must our workforce, culture, and regulatory posture evolve to execute our strategy and meet our customers' expectations?

Over the past 2 years, health plans asking these questions have increasingly turned to partnerships and more formal consolidations to provide what they urgently need: access to essential capabilities and capital to scale them.

In this consolidating market, health plans can increase their relevance by evolving and strengthening their strategic identity. For some, this could mean diversifying into new products or differentiating in affordability and consumer experience. For others, it may entail specializing in areas like government-funded plans, the individual market, or distinctive care enablement platforms.

While consolidation or partnerships are options, they are not the only paths forward. What matters most is that health plans address these key questions to clarify their future, evaluate their strategic options, and develop a multi-year transformation roadmap. This will require difficult choices, disciplined execution, and true organizational readiness.

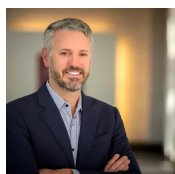
Health plans that take these steps now will secure their sustainability while reshaping the care ecosystem for affordability and better outcomes.

² Examples from 2025 include [Independent Health and MVP Health Care](#), [Medica](#) and [UCare](#), and [several others](#).

How are these dynamics impacting providers? Read more in our 2026 health system outlook.

Read more (<https://www.chartis.com/insights/setting-course-better-healthcare-ai-consumerism-and-trust-based-alliances>)

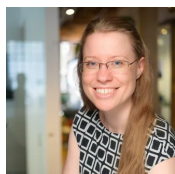
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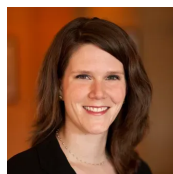
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