

Milliman **MedInsight**

Executive Report

How payers use analytics and AI to drive impact:
Insights and trends



Executive summary

Health care payers are committing significant resources to analytics, artificial intelligence (AI), and broader digital transformation to protect operating margins, elevate the member experience, and sharpen competitive advantage. Yet many still struggle to convert these investments into measurable operational gains.

That gap is evident in the Milliman MedInsight 2025 Payer Market Survey. Respondents detailed their current analytic capabilities, aspirations, and obstacles at a time when rising costs, workforce constraints, and mounting pressure to demonstrate value are accelerating demand for practical, scalable solutions.

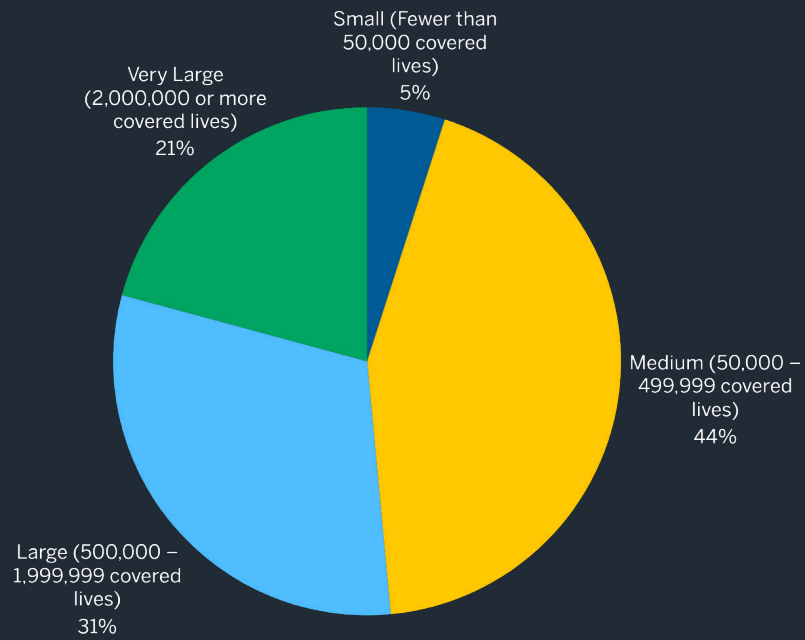
This report reflects input from data and analytics practitioners at mid-to-large payer organizations, representing plans with approximately 50,000 to 2 million members. Most respondents (85%) indicated that using and analyzing data to generate insights is a primary part of their role. Nearly half (49%) also reported responsibility for identifying clinical and business needs and translating them into analytics requirements and solution specifications.

The findings underscore how hands-on analytics users and business decision-makers are shaping solution requirements and implementation expectations, reinforcing the need for products that are intuitive for daily use and robust enough to scale across the enterprise.



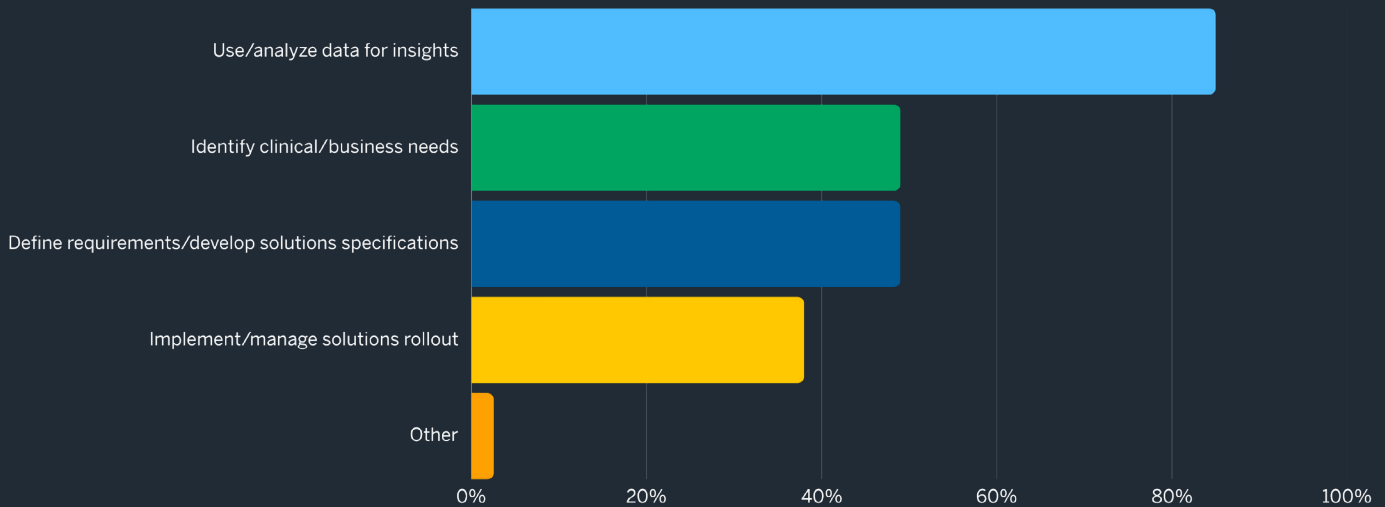
Respondents:

Organizational size by covered lives



*Other (0%) Not Shown

Primary roles in data analytics solutions



The following key themes emerged from the survey and are explored throughout this report:

- 1 How effective are payers at using analytics to manage the total cost of care (TCOC) today?** Fewer than two-thirds of respondents say they are using analytics effectively, despite viewing cost and utilization analytics as critical for future success.
- 2 How are payers approaching AI and generative AI?** Interest is high and growing, but progress is constrained by legacy-system integration challenges and immature data governance.
- 3 What outcomes do payers expect from analytics investments?** Direct support for cost management, utilization control, and measurable financial and clinical results.
- 4 Are payers still innovating while staying practical?** Yes, about half of respondents report using pilot “fusion teams” that blend IT and business expertise to test and scale new approaches.
- 5 How are payers prioritizing cybersecurity?** Most respondents are prioritizing staff training and awareness over technical upgrades.
- 6 What won't payers invest in?** Standalone tools that lack interoperability or cannot integrate smoothly into existing data and technology ecosystems.



Industry landscape

Healthcare payer organizations recognize that succeeding in today's environment requires operational efficiency above all. Their analytics purchasing decisions are grounded in practical objectives and bottom-line results. Although they see value in AI and generative artificial intelligence (Gen AI) tools and advanced analytics, they are hesitant to adopt capabilities that increase operational complexity. Instead, they prioritize integrated solutions that simplify real-time decision-making and deliver measurable improvements in operational margins.



Key findings & insights

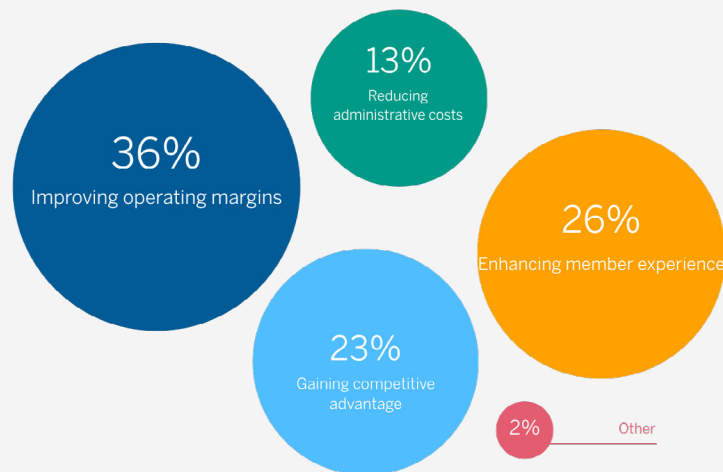
Margin pressure is driving every decision

Payers report moderate confidence in their digital transformation progress, with just over half indicating that their technology investments are mostly aligned with enterprise goals. However, relatively few organizations describe their environments as fully aligned (12%), suggesting that many initiatives remain in transition rather than fully operationalized. This points to an execution gap between strategy and realized value.

Improving operating margins (36%) is the clear primary driver of digital transformation efforts, reinforcing the continued pressure on payers to control costs and demonstrate financial discipline. Member experience (26%) and competitive differentiation (23%) follow closely, indicating that organizations are balancing near term financial priorities with longer term growth and market positioning objectives.

Overall, these findings suggest that while payers are directionally aligned on digital priorities, many are still working through integration, prioritization, and value realization challenges. Solutions that can accelerate alignment between technology investments and business outcomes, particularly those that support margin improvement without sacrificing member experience, are well positioned to support long-term differentiation.

Primary objectives for digital transformation



AI interest is high, but readiness is uneven

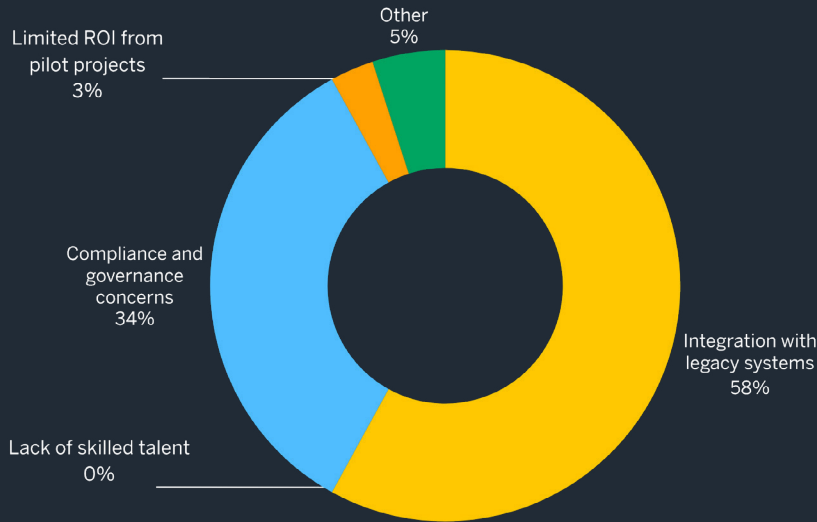
Interest in AI and Gen AI continues to increase across payer organizations. Challenges, however, persist in scaling AI and GenAI across the enterprise. Survey feedback indicates that integration with legacy systems (64%) remains the most significant barrier to scaling AI beyond isolated use cases.

In addition, data governance maturity is also a limiting factor, with most respondents characterizing their governance capabilities as intermediate (49%), while 28% and 23% described their organizations as basic or advanced, respectively. Governance maturity underpins a payer's ability to integrate data, scale AI responsibly, and deliver consistent, measurable value from analytics investments.

For payers, the takeaway is direct: realizing value from analytics, AI, and digital transformation will require more than adding new tools. It will require an operating model that supports shared workflows, joint ownership, and coordinated execution across business and technology teams so innovations can move from pilots to sustained, measurable impact.



Largest barriers to scaling AI/Gen AI



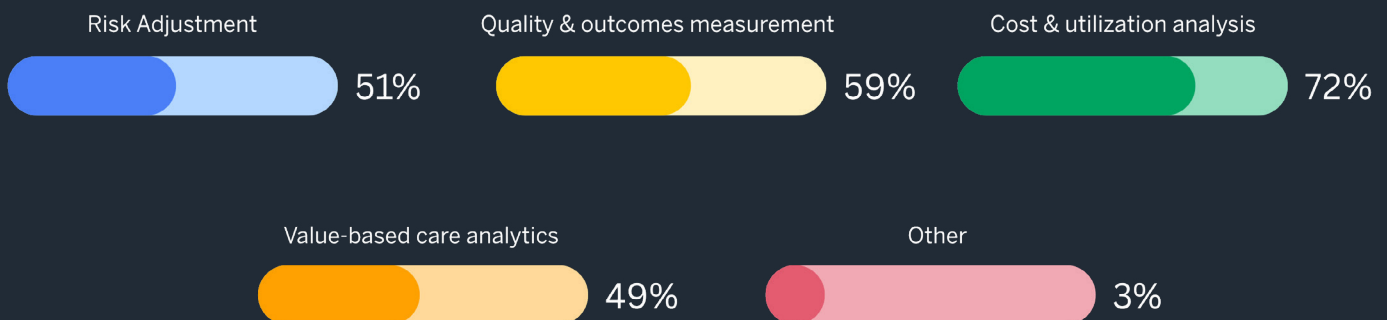
Analytics is essential, but not always effective

The capabilities deemed most important to the future success of the respondents' organizations also reflected a bottom-line focus. Survey respondents (72%) overwhelmingly cite cost and utilization analysis as the most critical capabilities for future success, followed by quality and outcomes measurement (59%), risk adjustment (51%), and value-based care analytics (49%) as top capabilities necessary for success.

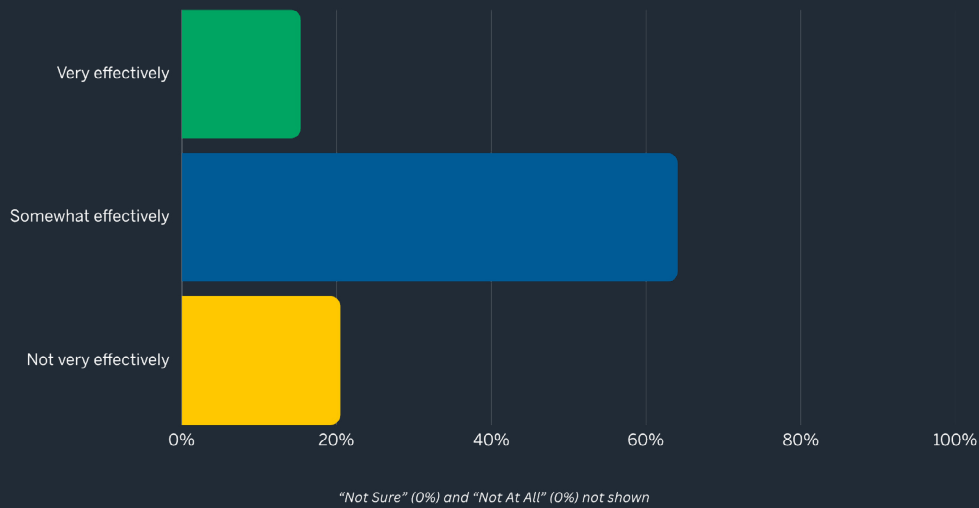
While payers clearly recognize the role that analytics will play in the future success of their organizations and their ability to manage costs, they were less confident about the effectiveness of their current efforts in managing TCOC. This is due in part to a lack of data integration (64%), limited analytic resources (44%), and issues with data accuracy and quality (38%). As a result, fewer than two-thirds of respondents report feeling effective today in using analytics to manage TCOC. For 21% of respondents, the use of analytics was gauged as not very effective at all for managing TCOC.

The results suggest that the effectiveness gap is a reflection of ongoing integration challenges, limited analytic resources, and the difficulty of translating insights into actions.

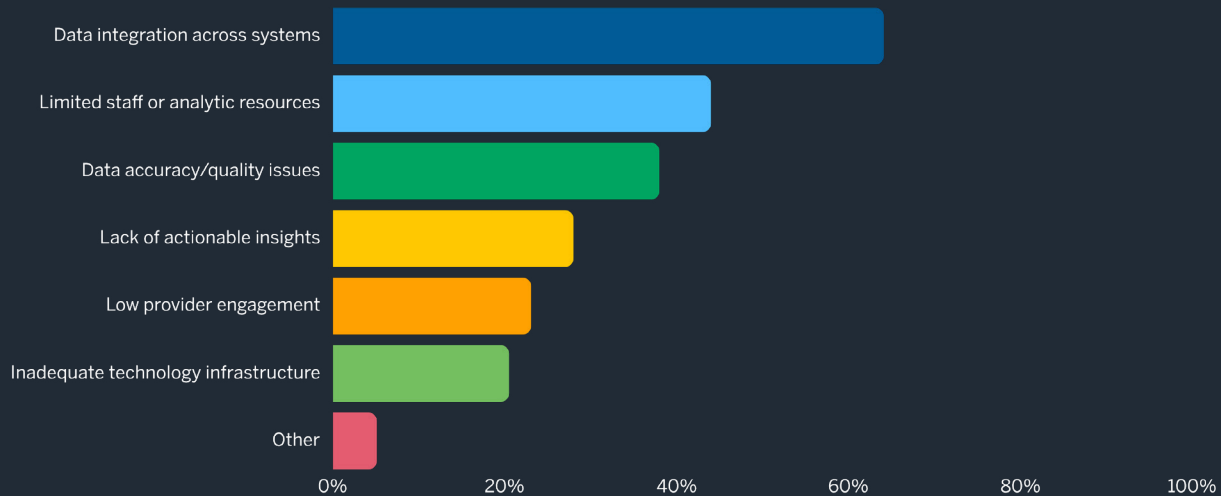
Top analytics capabilities for success



Effectiveness using analytics to manage TCOC



Main challenges in leveraging analytics to reduce TCOC



Innovation depends on organizational models, not just tools

As healthcare challenges grow in complexity, payers are increasingly seeking solutions that embed seamlessly into workflows to drive measurable efficiencies, cost savings, and better decision-making in real time.

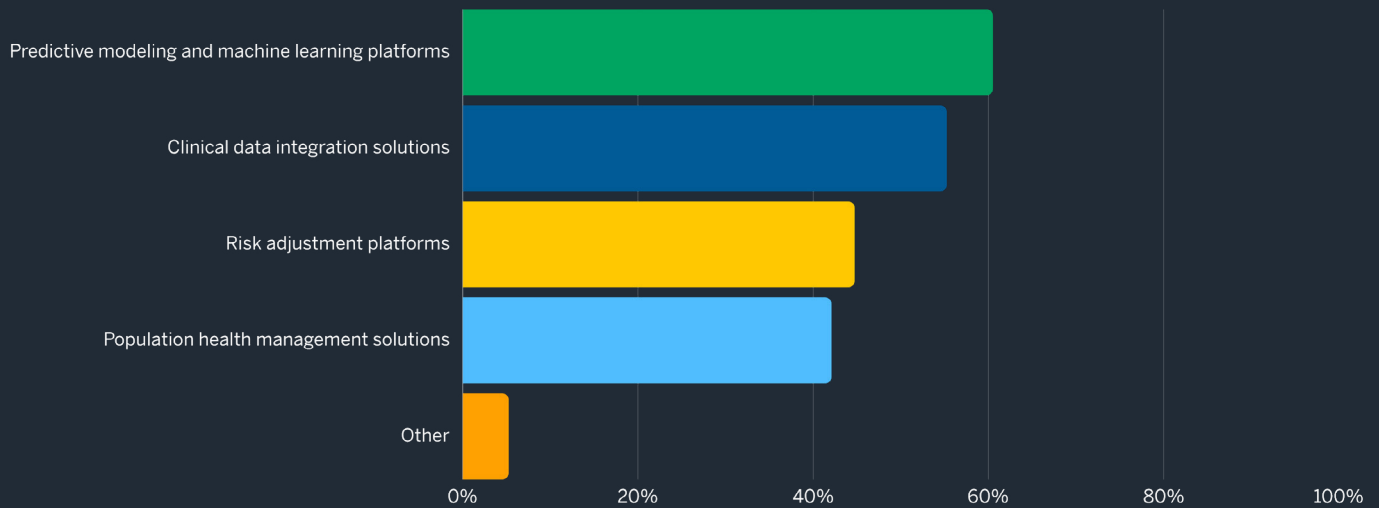
Half of surveyed payers are now piloting "fusion teams" that intentionally pair business leaders with IT stakeholders, an acknowledgement that innovation is increasingly constrained less by ideas or tools and more by operating model. In fact, up to 50% of respondents are currently piloting in select areas with another 21% indicating their fusion teams are fully implemented.



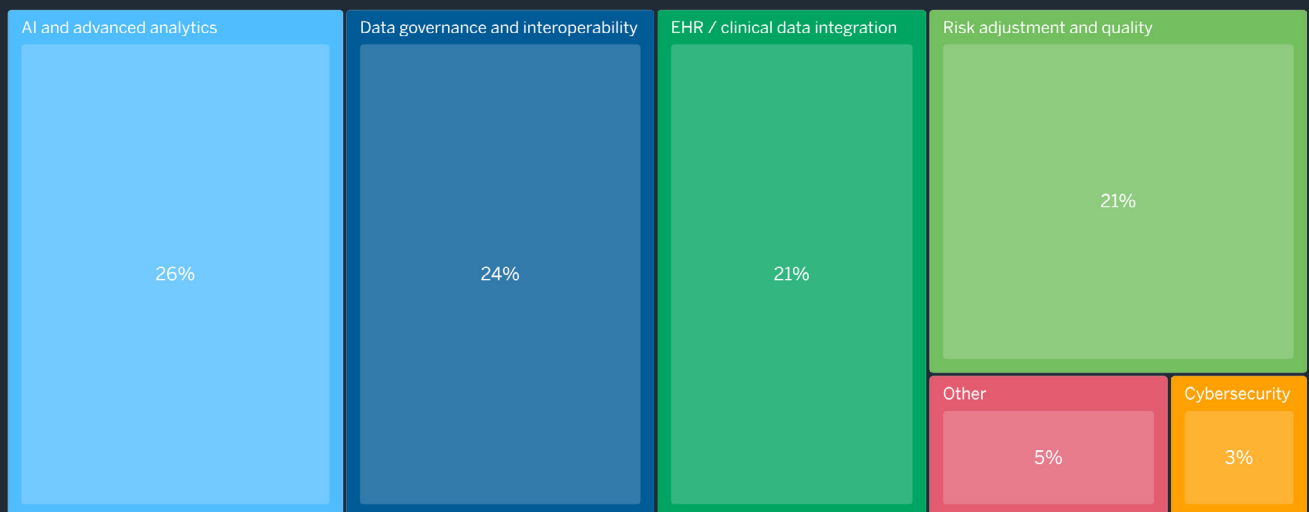
When asked which additional tools or platforms would best enable plans' business teams to drive innovation, respondents most frequently cited predictive modeling and machine learning (61%) and clinical data integration (55%), followed by risk adjustment (45%) and population health (42%) solutions.

These findings point to a clear path from experimentation to impact: payers that pair workflow-embedded tools with cross-functional delivery models are better positioned to operationalize insights, scale innovation, and realize measurable savings. They also clarify where near-term capability gaps remain, particularly in predictive analytics and clinical data integration.

Desired tools & platforms to drive innovation

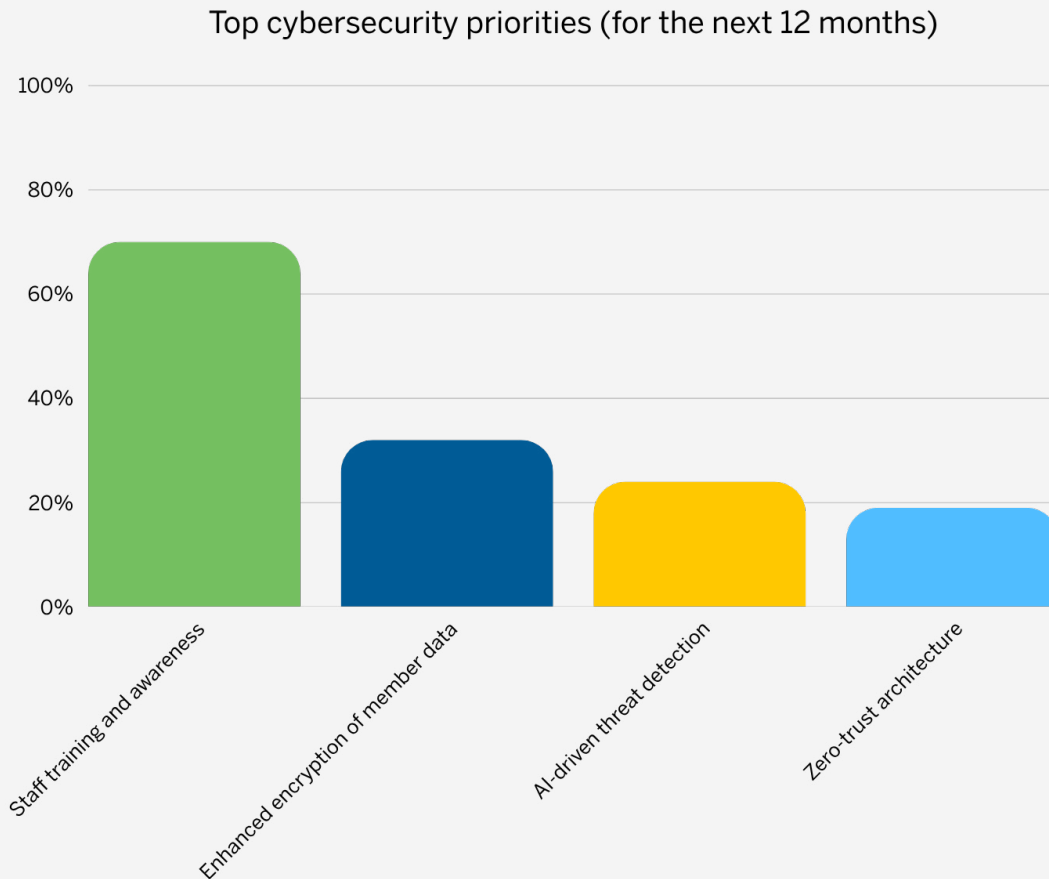


Top technology investment priorities (12–18 months)



Cybersecurity priorities and compliance confidence

Cybersecurity priorities are converging around people and process: 70% of respondents identified staff training and awareness as a top focus for the next 12 months, well ahead of enhanced encryption of member data (32%), AI-driven threat detection (24%), and zero-trust architecture (19%).



At the same time, confidence in meeting current regulatory requirements is mixed. While 45% of respondents reported being “very confident” in their cybersecurity compliance, 37% were only “somewhat confident,” and 18% were unsure.

In a fast-paced environment, payers that treat workforce readiness as the front line of cybersecurity and pair training investments with objective compliance validation (controls, evidence, and testing) will be better positioned to reduce regulatory exposure and operational disruption.

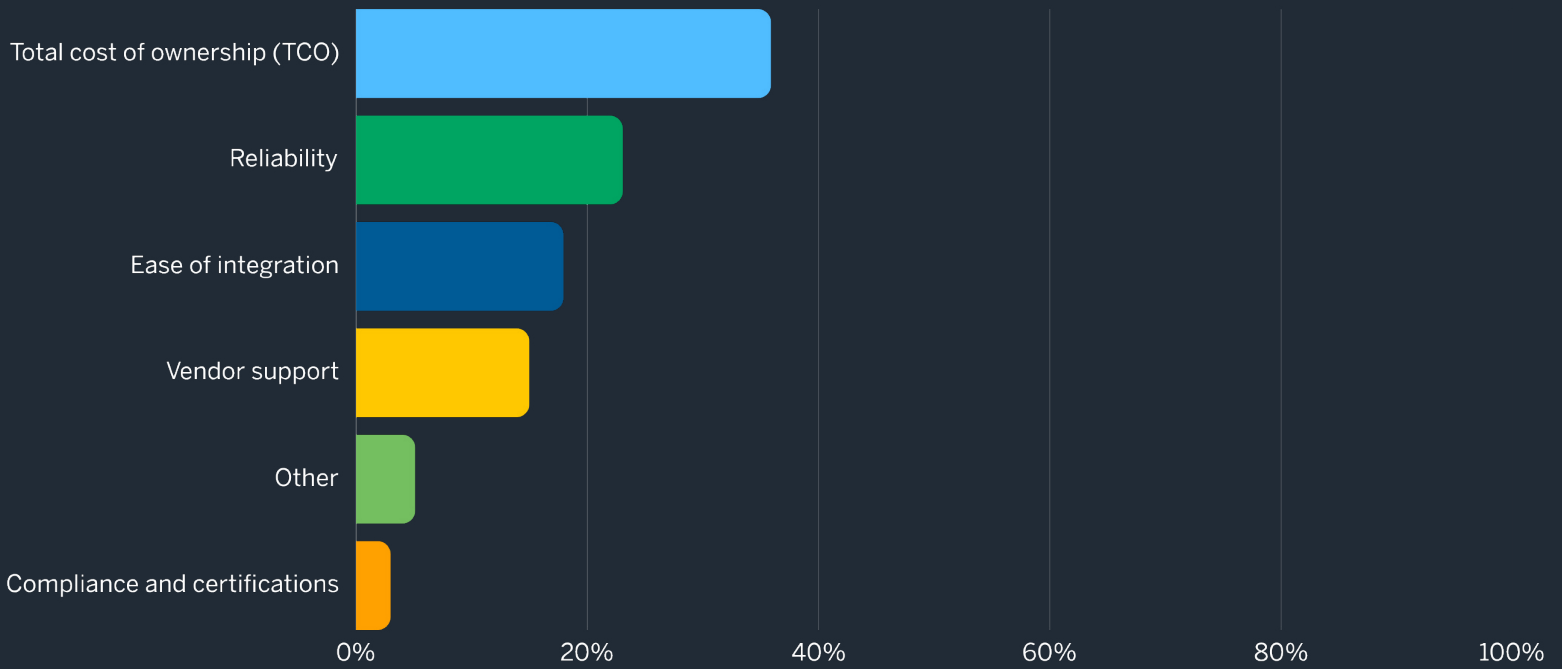
Buying decisions are grounded in practicality

Total cost of ownership (36%) and reliability (23%) topped the list of criteria our respondents prioritized when assessing an analytics vendor. Ease of integration was third, cited by 18% of respondents.

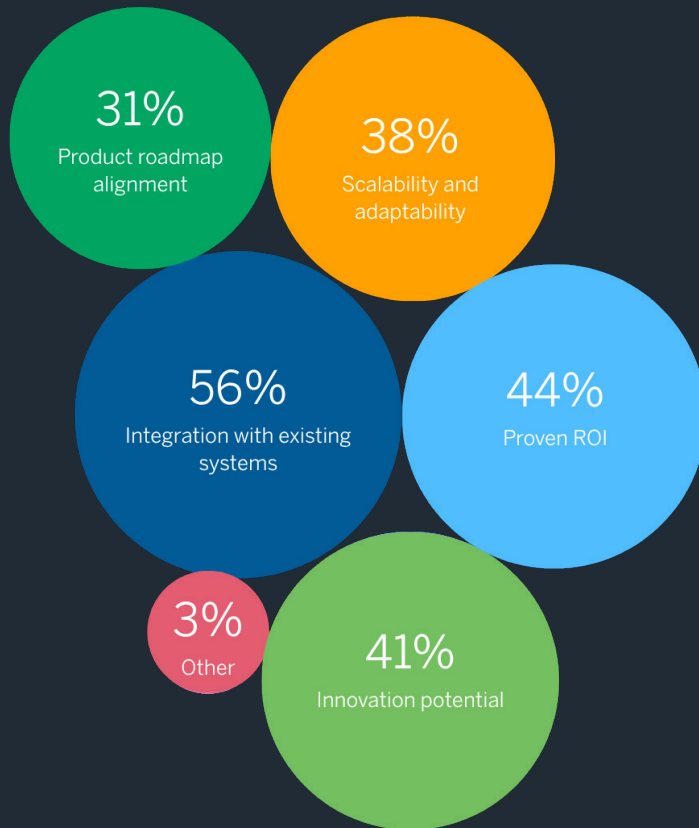
Vendor selection is increasingly defined by operational pragmatism. Survey feedback shows payers prioritizing total cost of ownership (36%), reliability (23%) and ease of integration (18%) above nearly all other criteria, reflecting a clear preference for solutions that can be implemented and sustained within constrained budgets and complex legacy environments. Even for advanced capabilities like AI, decision-makers prioritize seamless integration with existing systems (56%) above all, followed by demonstrated ROI (44%), innovation potential (41%), and scalability and adaptability (38%).



Key vendor selection criteria



Top factors driving vendor selection of advanced technologies



This signals a broader market shift reinforcing where the real implementation risk sits: solutions that are costly to maintain or hard to integrate can stall adoption and delay savings. Prioritizing integration, reliability, and ROI help payer teams accelerate time-to-value while minimizing disruption to core operations.



Customer perspective

“One of the [reasons] we chose Milliman was what they had in their tool set to be able to take a look at savings opportunities... Their health cost groupers allow us to take a look at different categories of spend... that difference gives us leading indicators to say, you might want to look at outpatient surgery, or perhaps look at inpatient medical spending or other spending categories as areas of focus...”

- Vice President of Cost and Care Partnerships

Total Cost of Care Blog

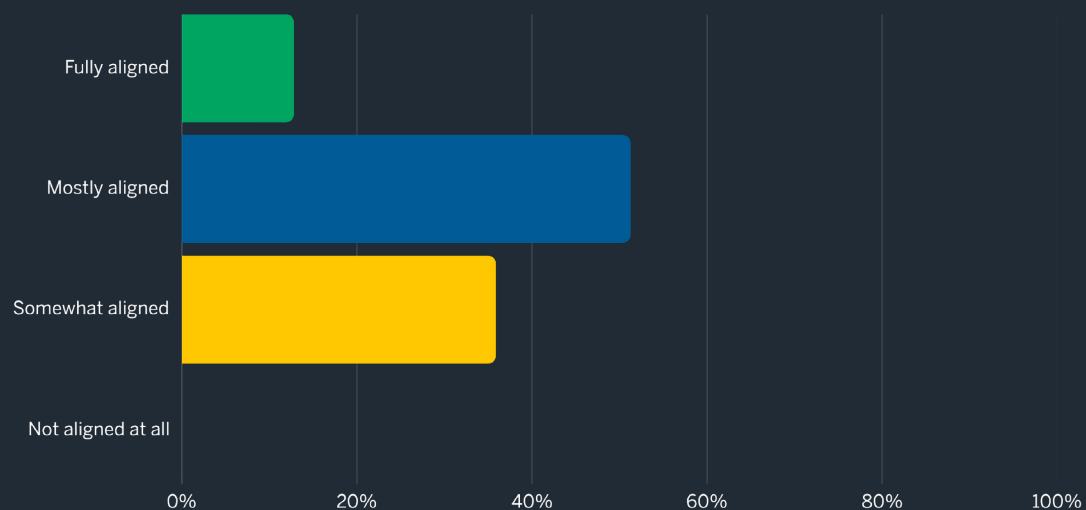


Opportunities and gaps

The survey results reflect healthcare payers' ongoing pressure to [improve their margins](#) and demonstrate value across every investment, including digital transformation. While not surprising, the degree to which margin pressures are shaping their expectations around technology is notable.

Payer organizations want bottom-line support from their analytics, and they are disinclined to invest in anything less than seamlessly embedded tools and solutions that drive measurable results. While alignment between their digital investments and their business goals is improving, most organizations describe alignment as only “mostly” (51%) or “somewhat” (36%) achieved.

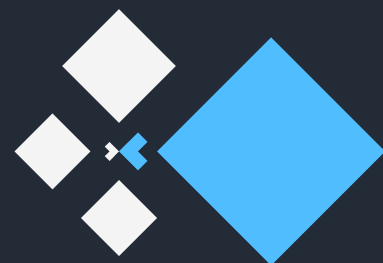
How well do your current digital technology investments align with your organization's enterprise goals?



Conclusion: The path forward

The 2025 survey underscores a simple truth: the biggest gains from digital investment will come when analytic insights are woven into everyday decisions that simplify complex data, reduce friction, and strengthen margins. Payer organizations are aligned on the priorities: simplification, speed, and tangible margin impact. Technology alone won't achieve this. Without sustained cross-functional collaboration and a sharp focus on real operational challenges, even the most advanced solutions stall before reaching the workflow.

This isn't a call for more tools, more data, or more experimentation. It's a call for fit-for-purpose solutions that meet teams where they work, making each decision easier, faster, and more accurate. Integration with existing systems and clear, measurable outcomes should lead the way. By turning analytic potential into trusted, in-workflow actions, payers can drive faster, measurable margin improvement, doing more with less, without expanding the tool footprint, and with far greater confidence in the results.





How Milliman MedInsight helps

Milliman MedInsight helps payer organizations amplify, scale and leverage analytics capabilities into actionable insights for measurable improvements and bottom-line impact.

- **Turn investment into impact:** Leverage the [MedInsight Payer Platform](#) to translate your analytics and AI investments into measurable operational improvements across the enterprise.
- **Address real-world challenges:** Empower teams with a solution designed for both hands-on users and enterprise needs, including managing the total cost of care, optimizing risk management, and advancing value-based care.
- **Achieve seamless scalability:** Ensure your analytics solutions grow with your organization, supporting both current needs and future expansion.
- **Stay ahead in a rapidly evolving market:** Position your organization for success in a competitive payer landscape with proven, market-leading analytics capabilities.
- **Achieve reliable AI outcomes with trusted data:** Our robust data ingestion, normalization, and governance processes ensure that only accurate, consistent, and well-understood data is used, laying a solid foundation for dependable AI performance.

[Contact us](#) to learn how the MedInsight Payer Platform can help you unlock the full value of your data and drive meaningful change.

About Milliman MedInsight

Founded in 1998, Milliman MedInsight® is a leading provider of healthcare data and analytics, trusted by over 300 payers, providers/ACOs, employers, and government agencies worldwide. Our comprehensive suite of analytics and data solutions empower organizations to leverage healthcare data for informed decision-making and improved clinical and financial outcomes. With deep industry expertise and advanced technology, we deliver actionable insights into healthcare utilization, costs, quality, and performance. From risk management to value-based care, Milliman MedInsight empowers stakeholders to navigate the complexities of the healthcare landscape and achieve sustainable success.

