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What to Expect in Healthcare in 2025

From **BILL KERR, MD,** CEO, Avalon Healthcare Solutions

While much of the talk about healthcare this year has centered on President-elect Trump's picks to lead Health and Human Services and the Centers for Medicare & Medicaid Services, there is more to watch in 2025 than those appointees.

There are developments underway that will fundamentally shape healthcare regardless of politics. Healthcare is at a critical point, under pressure from rising costs, cybersecurity risks, AI questions, financial burdens, workforce problems, and more. At the same time, new technologies promise to improve outcomes and streamline operations and interoperability.

As is the case every year, some developments will be predictable (higher costs!) while others will surprise us.

Here's what I'm watching in 2025.

Rising Costs, Falling Access

The cost of almost everything healthcare-related rose in 2024 and will continue to climb in 2025. PwC's Health Research Institute predicts an 8% year-on-year medical cost increase, the highest level in 13 years. There are many causes, including growing labor costs, an aging population, an increase in chronic conditions, high prescription drug prices (particularly GLP-1 medications), and more. These factors exert crushing pressure on healthcare, leading to more system mergers and acquisitions, layoffs, and closures of small and rural hospitals.

As costs rise, access falls for various reasons, including affordability, a shortage of available providers, closed facilities, social determinants of health, and more.

When I think about where this might lead, I look at

COVID-19, the last major disruption to healthcare. That resulted in an expansion of licensing scope, particularly for pharmacists, growth in alternative means of care delivery, such as telehealth, and the introduction of new patient tools, e.g., OTC COVID tests.

Rising costs and limited access will likely have a similar outcome: Patients will seek more accessible and affordable care in nontraditional settings while performing more testing and monitoring through wearables and home equipment.

Waste and Value-Based Care

Rising costs will also increase the emphasis on reducing waste. An estimated 25% of healthcare spending is unnecessary. While eliminating waste in a field as vast and complex as healthcare is impossible, healthcare systems and plans will try to reduce it where possible.

Though one goal of value-based care (VBC) is to control costs, healthcare organizations and plans struggle to implement it on a large scale and realize immediate financial benefits. As a result, VBC initiatives, at least those not mandated by CMS, will be on hold while systems regain their financial footing.

Patients will benefit from increased price transparency next year. More hospitals are complying with CMS requirements to post prices, while state and federal legislators are considering site-neutral legislation requiring providers to charge a consistent price for lab tests and other services regardless of where they are performed. While these are welcome developments, more must be done to control costs and increase quality of care.

Lab Testing

The number of clinical lab tests, now at 185,000, will continue to skyrocket, and health plans will struggle to determine which are clinically valid and useful and should be included in coverage.

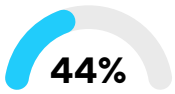
Other forces, such as the demand for expensive GLP-1 medications, biomarker legislation, and looser prior authorization (PA) requirements, will financially stress health plans as they are pressured to cover more medications and tests. Plans, in turn, will use lab insights solutions to control costs and ensure that the right patients get the right test at the right time while also controlling costs and reducing waste and abuse.

This year will also increase plans' use of lab insights to identify and stratify undiagnosed patients with certain conditions, such as chronic kidney disease. This allows members to receive treatment more quickly while slowing disease progression and improving outcomes.

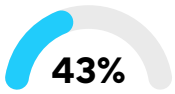
Precision Medicine and Genetics

Precision medicine will make further inroads into mainstream medicine. New technology and testing allow for more exact diagnoses and aligned therapies. Precision medicine will be a tremendous boon for patients and providers, but its maximum benefits will be realized only if it's correctly deployed.

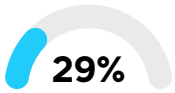
The treatment of non-small cell lung cancer (NSCLC) is a prime example of where precision medicine could have a real impact. Analyses of health plan data show mismatches and missed opportunities for NSCLC patients:



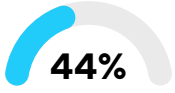
of them did not undergo biomarker testing to determine the best treatment plan



were on a biomarker drug with no evidence of a genetic test



were not on the appropriate targeted treatment based on their lab results



had a positive biomarker and were not on the recommended therapy

As a result, patients often do not receive the appropriate treatment in time for it to be most effective. Adopting procedures that shorten the time from diagnosis to treatment through automated PAs for testing and prescribing, liquid biopsy testing, and tumor mutation matching would significantly improve outcomes.

Health plans will increasingly evaluate precision testing and the likely resulting therapeutics as a package when evaluating coverage.

Private payers and employers will wrestle with how to cover treatments like GLP-1s and CRISPR gene editing, such as the new treatment for sickle cell anemia. The upfront cost for plans and employers is substantial while most of the financial benefits will not be realized until years later when the patient might work for a different employer or be a member of a different health plan.

Government Programs Coverage Pressures

Medicare/Medicare Advantage and Medicaid face interesting years. Total Medicare enrollment was 67.8 million in 2024 and is expected to rise this year. As Medicare patients comprise an increasing percentage, hospitals will struggle with the program's low reimbursements. To compensate, health systems will ask for higher reimbursements from private plans.

Even as Medicare Advantage (MA) enrollment grew in 2024, more healthcare systems and health plans opted out. Many insurers are pulling MA plans from counties and states they've deemed unprofitable, while larger healthcare systems are cutting ties with plans, citing delayed reimbursements, difficult PA requirements, and high claims denial rates. That leaves affected MA beneficiaries scrambling for coverage or paying higher out-of-network costs to stay with their providers. This year, fewer carriers will likely offer fewer MA plans, and plan terminations will increase.

Medicaid also bears watching. In 2023, states resumed screening people for eligibility and ending coverage for those no longer qualified or who failed to renew. While more than 25 million people lost Medicaid coverage as a result, the number of newly uninsured has been limited by the decisions of more than a dozen states to expand health coverage for lower-income people, including children, pregnant women, and the incarcerated.

This year, Medicaid could become a target as the new administration and Congress look for ways to cut discretionary spending and pay for promised tax cuts. Proposals have included adding work requirements, converting the program into block grants to states, capping federal funding per capita, and reducing federal matching funds for ACA Medicaid expansion enrollees.

Despite campaign promises, I don't think the new administration will repeal the Affordable Care Act. That would leave 21.3 million beneficiaries, many of them in red states, without the coverage they've come to depend on. You're more likely to see cosmetic changes and relabeling than a repeal.

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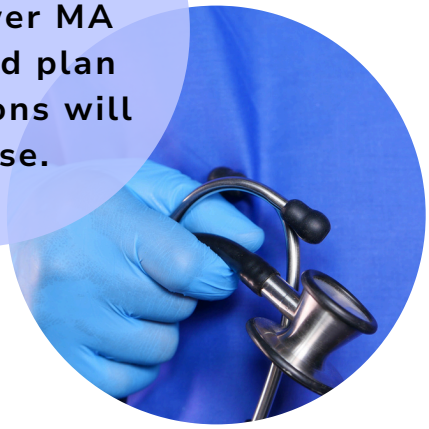

Conclusion

I feel confident predicting that 2025 will be an exciting and challenging year for healthcare – because that's every year. I hope we continue progressing toward a more efficient, effective, and equitable system for all.