



# The billion-dollar question for health insurers and generative AI

**Payers could claim a healthy share of the \$1 trillion-plus we expect generative AI to add to the economy—if they widen their focus beyond cost cutting.**

Implementing generative AI as a primary driver of better member experiences and innovative, personalized services will enable payers to retain and convert members and grow revenues. Lower costs will follow.





# Table of contents

3

Introduction

13

Where to grow the business with generative AI

22

Time for a fresh perspective

6

Why payers should aim first at experience and outcomes

19

How to develop a members-first AI strategy



# Introduction

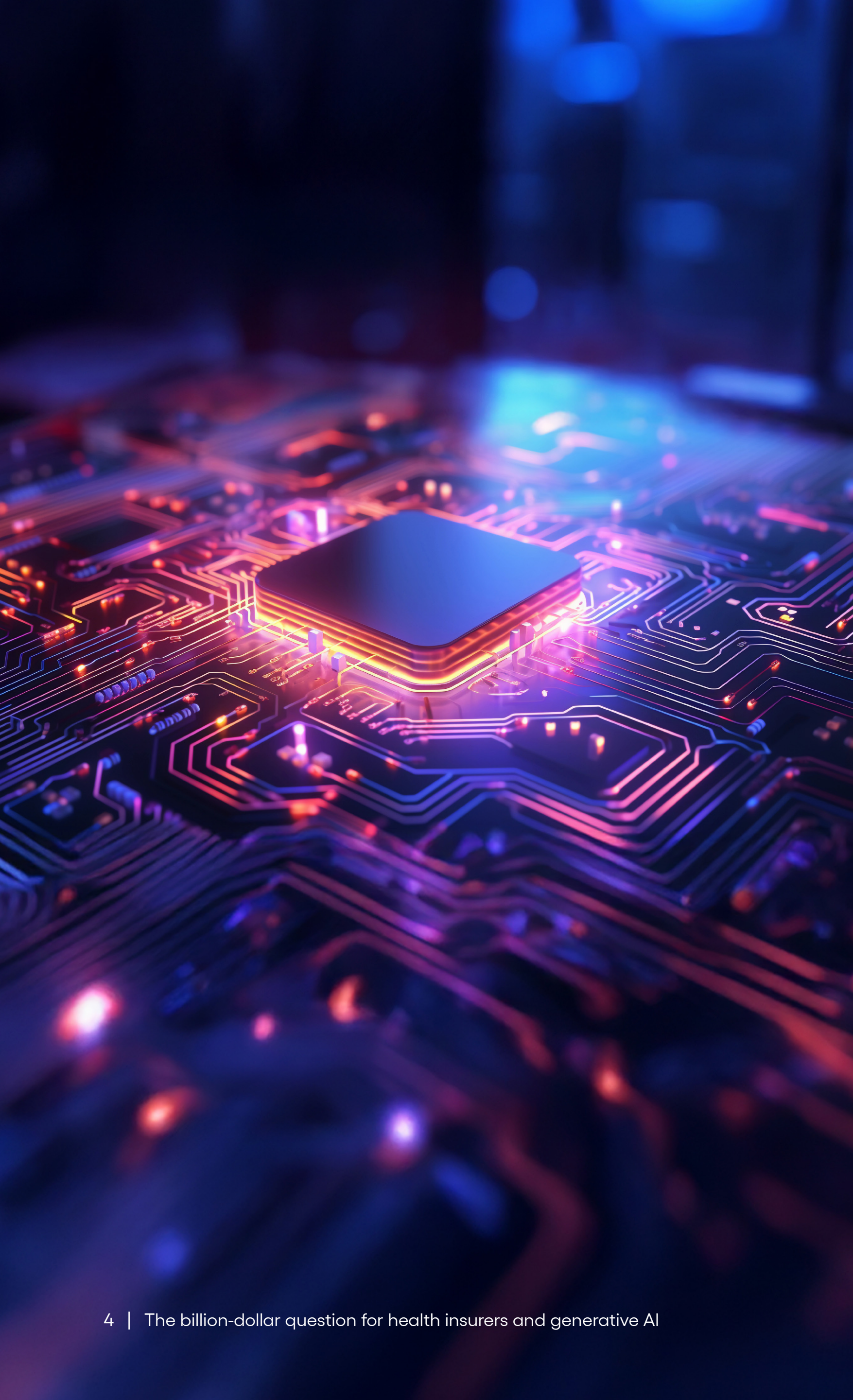
More than \$1 trillion—that’s how much business value generative AI could help all US industries add to the country’s GDP over the next eight years (see **Figure 1**).

That number is from research and analysis Cognizant conducted in partnership with Oxford Economics.<sup>1</sup> The open question: How much of that value will health payers contribute?

The answer depends on the approach healthcare organizations take to implementing generative AI.







How much value generative AI creates depends on how quickly companies adopt it for substantial business model reimagining and new product and service delivery.

Our observation is that many healthcare payers think almost entirely in terms of cost reduction when they consider where and how to implement generative AI. While cutting costs is important, focusing on it alone can limit payers' generative AI opportunity, leaving them to compete on commoditized administrative services with ever-thinner margins.

Instead, by our estimates, payers could see as much as 10% in revenue growth and 15% to 20% improvement in margins if they use generative AI to build member-centric experiences and develop innovative services that improve health outcomes.

The reimagined processes and workflows required to create new experiences and outcomes will enable payers to differentiate their offerings for employers, providers and consumers. They will also deliver the cost savings and productivity improvements payers require. As we explain below, a holistic, experience-first approach to implementing generative AI can power the business growth payers require to remain relevant and competitive while employers, healthcare consumers and regulators become even more value-conscious.

Generative AI tools and governance are rapidly maturing, offering payers new capabilities with which to imagine and deliver new member experiences that lead to improved health outcomes, competitive differentiation and growth opportunities.

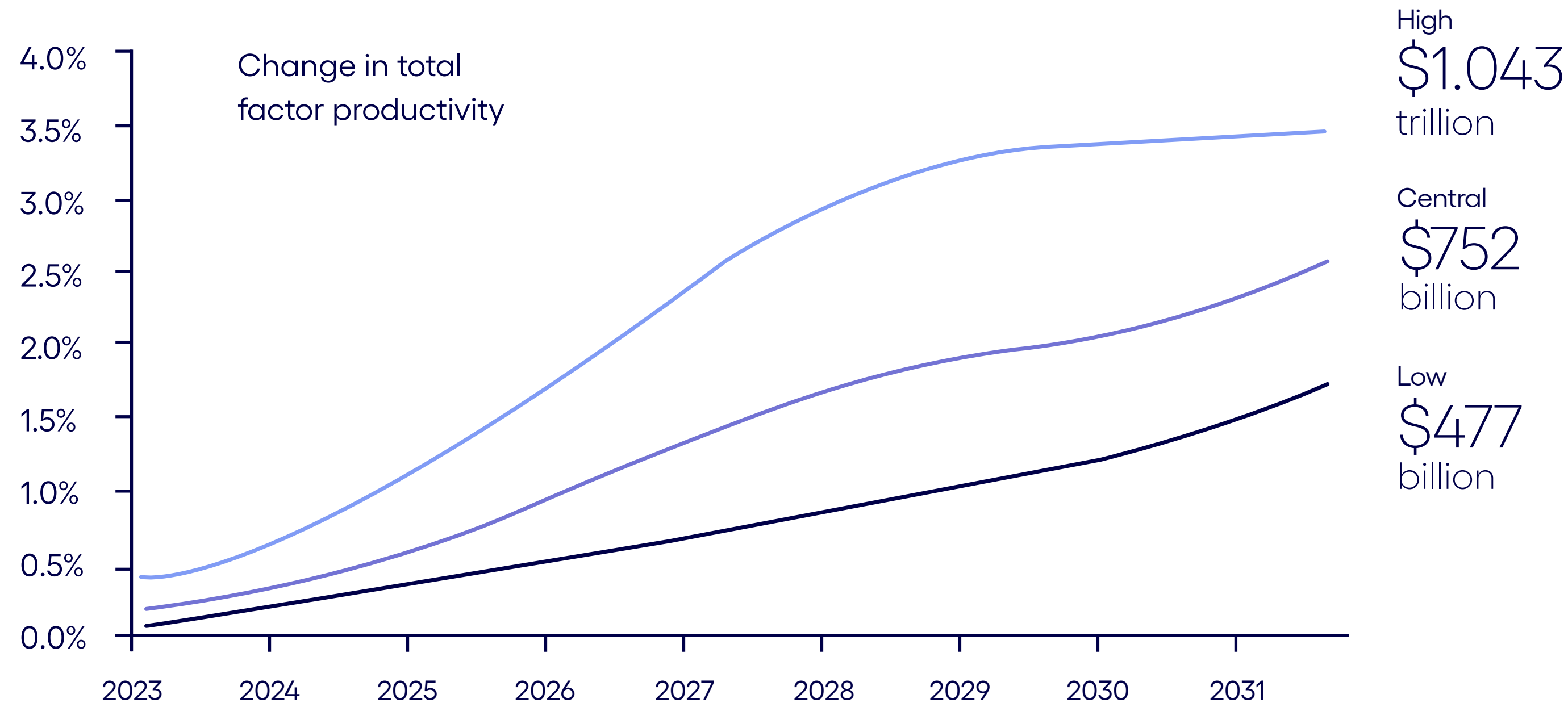
Reduced costs will be a substantial by-product of those efforts.





## The \$1T productivity story

The big economic boost: By 2032, generative AI could add up to \$1T to the US GDP and boost worker productivity by 10% and total factor productivity by 3.5%.



The total factor productivity will increase significantly across all three scenario projections.

In the **high scenario**, where business adoption is rapid, total **productivity will reach 3.5%**, which represents a GDP increase of **\$1.043T**.

Even our **lowest scenario** will see an **increase of 1.75% productivity**, with a corresponding **\$477B** increase to GDP.

Based on Cognizant's joint study with Oxford Economics, "[New work, new world](#)"

Figure 1





# Why payers should aim first at experience and outcomes

Of the three Triple Aim targets—better experiences, improved health, reduced costs—it's understandable cost reduction often takes priority. Many payers are trying to better manage their medical loss ratios. Further, US healthcare costs remain higher than in other developed nations but deliver poorer outcomes.<sup>2</sup>

Yet a cost-control first approach to generative AI fails to address how market demands for improved experiences and outcome quality are eroding the traditional payer value proposition.<sup>3</sup> The once-vital role as risk-bearing gatekeepers in the healthcare value chain is under pressure from these forces:







## Rise of employer self-funded plans

Employers want to reduce their healthcare costs by having more control over the health benefits they offer and the opportunity to share in potential savings by taking on the risks that payers traditionally have.<sup>4</sup> Enrollment in the fully insured medical market has dropped more than 15% since 2018, according to an Oliver Wyman report.<sup>5</sup> Today, 63% of employer-covered workers are in self-funded plans.<sup>6</sup>



## Consumers want more for their money

Commercial health plan members today pay an average of \$6,296 toward premiums for employer-based family coverage. From 2014 to 2024, the percentage of workers in single coverage plans with deductibles of \$2000 or more has grown from 18% to 32%.<sup>7</sup> Many employers promote high deductible health plans, increasing employee spend with additional copays and coinsurance. Yet for all they pay, more than 50% of healthcare consumers are not satisfied with their health plans.<sup>8</sup>

Medicare Advantage plans aren't immune from these demands. Consider that a 65-year-old person in 2024 has been exposed to digital tech-driven experiences for the last 30-plus years. That level of digital "training" only increases as the Medicare-eligible population continues to grow. Payers in the highly competitive Medicare Advantage market must offer excellent digital experiences that match member wish lists to attract and retain members.<sup>9</sup>







## Federal regulators increasingly focus on quality of experience and access

Changes to star ratings metrics from the Centers for Medicare & Medicaid Services (CMS) have led to only seven Medicare Advantage with Part D plans earning five stars for 2024 and reduced bonus payments for many plans.<sup>10</sup> Regaining and maintaining coveted four- and five-star ratings requires payers to improve performance against Healthcare Effectiveness Data and Information Set (HEDIS) quality measures.<sup>11</sup> CMS is also promoting its health equity index metrics to encourage payers to serve populations with social risk factors.<sup>12</sup> It's worth noting that the few Medicare Advantage plans that earned five-star ratings excelled at deeply understanding their members' needs and communicated early and often with network providers.<sup>13</sup>



## Big health systems now compete for members

Providers are becoming payviders, building their own networks and offering healthcare consumers alternative options for coverage and care. The concept promises member-patients seamless experiences when care delivery and its financial aspects are integrated under one entity's roof.







These are big, nuanced forces disrupting the industry. They cannot be addressed purely through cost takeouts and the automating of existing processes. First, experience and outcome quality can suffer when a payer focuses on costs first. Eliminating or automating a manual workaround seems cost-smart—until its repercussions hurt member and/or provider experiences farther down the value chain and they flood the contact center with calls.

Second, payers that do not pay sufficient attention to experience design could be relegated to competing for business with increasingly commoditized administrative services in which the low-cost bidder likely wins. That’s a game of diminishing returns.

The bottom line is that payers need new business models and value propositions to sustain and grow revenues as the health industry becomes market-driven. When payers put business growth first by focusing on member experiences and outcomes, generative AI can help payers create new value and respond effectively to market forces—with reduced costs to follow. We look next at how this works.





## Healthcare roles will change

Healthcare roles and respective tasks will change as gen AI is deployed and adopted across the organization.

### Payer value chain

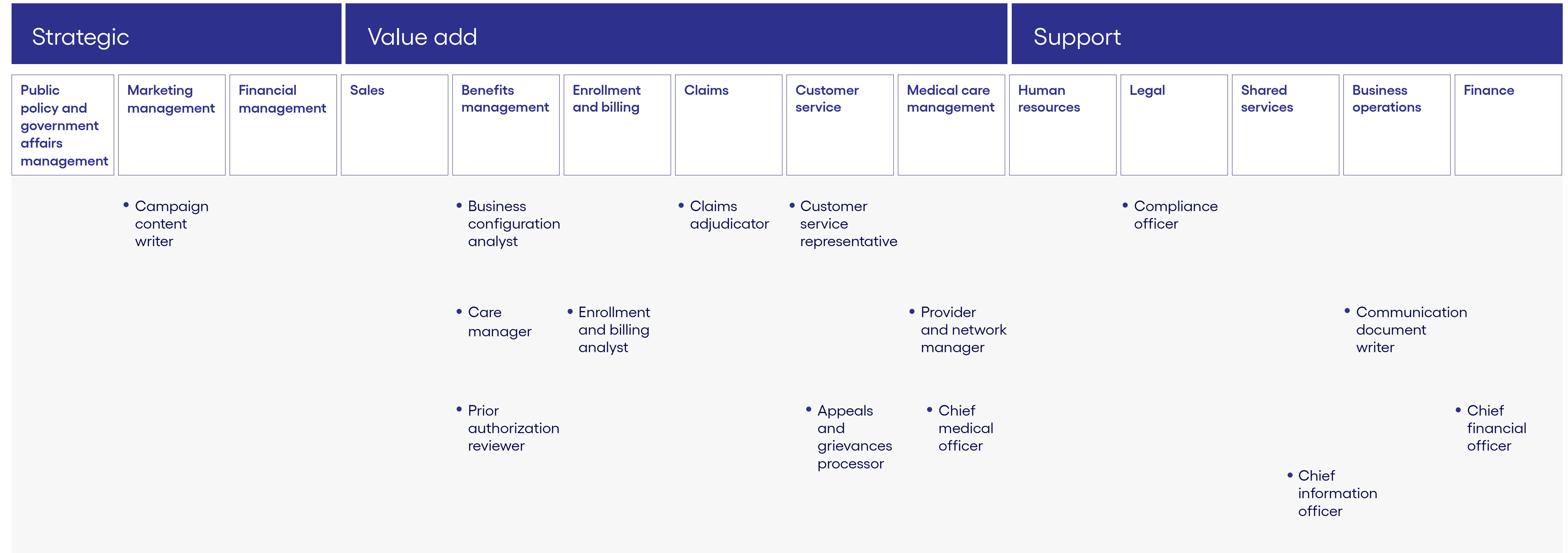


Figure 2







## New world, new healthcare work

Our research project with Oxford Economics revealed that between now and 2032, AI will disrupt the tasks and goals of 90% of the jobs in the world. For healthcare, we identified 14 positions across the value chain facing imminent change (**see Figure 2**).

This is good news—if payers focus on how these changes can be tapped to create new value.

Achieving the high end of our value forecast requires healthcare organizations to widely adopt AI while ensuring employees are deeply engaged and that their skills are augmented by the technology. That can happen when payers emphasize how AI will improve job productivity and satisfaction.

Consider the key role of the appeals and grievances (A&G) processor (**see Figure 3**). Generative AI can take over many of the current tasks associated with that role, including reviewing and analyzing a case and referencing policies associated with claim events and even assisting in coordinating data retrieval and communications across internal disciplines and external organizations.

Augmenting the A&G processor's expertise with AI and eliminating many time-consuming administrative tasks enables payers to reshape A&G workflows to deliver better provider and member experiences. In short, it will enable a correct answer the first time vs. repeated rounds of frustrating communication. Collaboration between AI agents in adjudication and A&G can predict A&G outcomes and reduce denials. A&G experts can give more attention to member service, return responses faster and greatly reduce friction. They can also give priority to analyzing A&G root causes and alleviating them.

Automation frees up human capital, while the other roles we've identified within the payer value chain will similarly benefit from AI, offering opportunities to enhance experiences, drive growth and improve productivity.





# Appeals and grievances processor

Role's overall exposure to gen AI

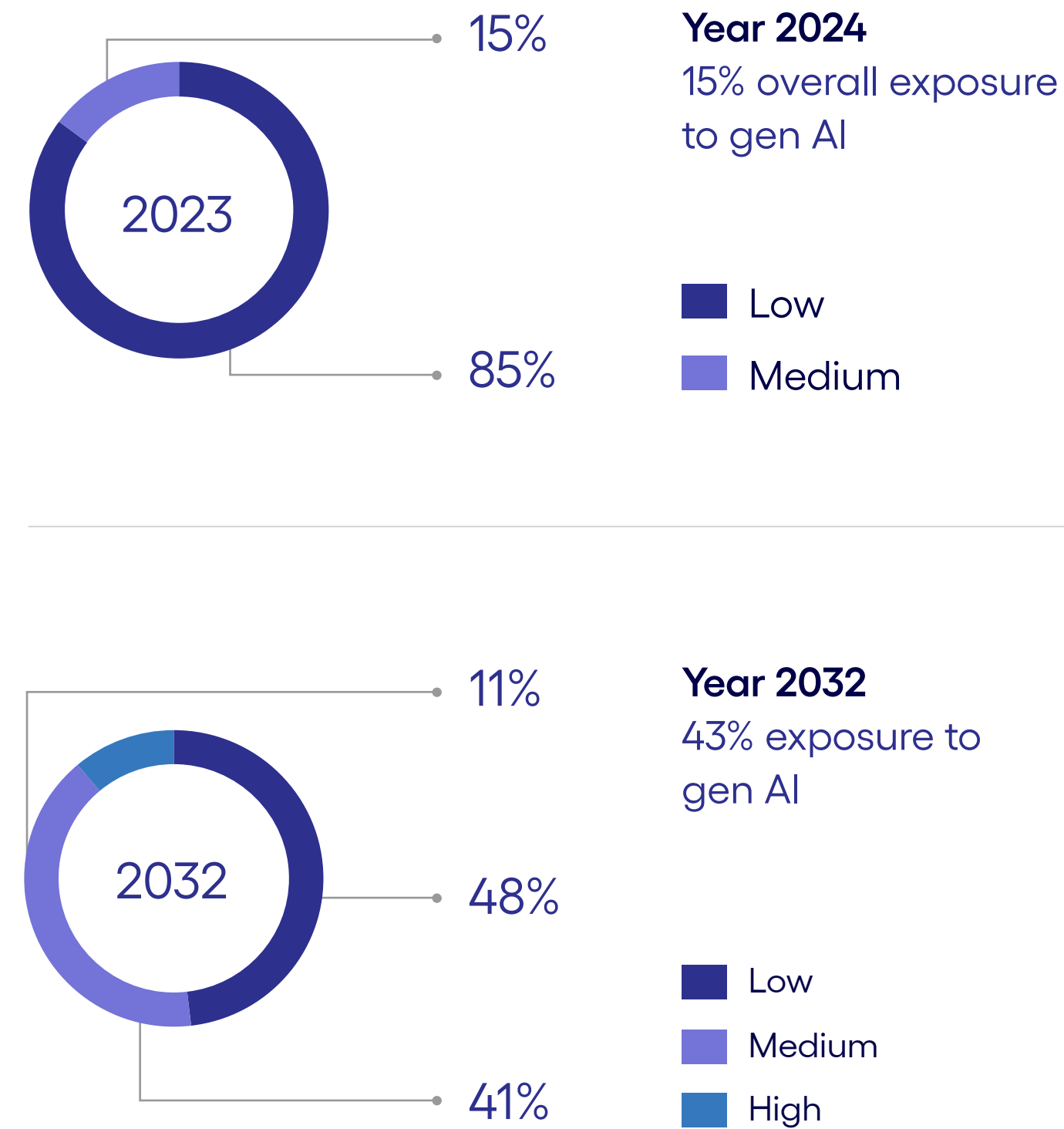


Figure 3

\*Scores taken for the O\*NET occupation Claims Adjusters, Examiners, and Investigators

Source: Oxford Economics and Cognizant

## How the role could change

### Automated case triage

Streamline triage of appeals and grievances cases by automating categorization based on complexity and urgency.

### Enhanced and proactive communications

Provide real-time interactions, case updates and guided next steps with the support of advanced chatbots and virtual assistants.

### Predictive resolution capabilities

Enhance efficiency by predicting case resolution success and advising on the best strategies informed by historical and claims data analysis.

### Automated documentation management

Automate document categorization, information extraction and template generation to ensure regulatory compliance and enhance efficiency and accuracy.

### Historical case analysis and training

Enhance decision-making and iterative learning cycles through trend analysis in case outcomes, customer feedback and resolution times.

### Decision support assistant

Ensure objective analysis and adherence to regulatory standards to support ethical and impartial decision-making.

Generative AI can take over job functions that require looking up data, summarizing histories, determining next best actions, predicting outcomes and communicating updates.

These shifts free up time for human A&G experts to work more closely with members and providers, delivering better experiences that lead to higher member satisfaction, reduced provider friction and improved processes that ultimately reduce costs.



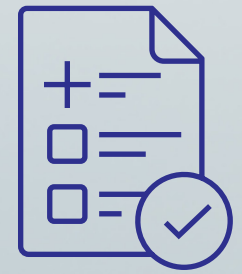
# Where to grow the business with generative AI

Payers will get the most value from generative AI and a path toward business growth when they use the technology primarily to build modern member-centric experiences and improve health outcomes. Generative AI can create new ways of working in key positions across the value chain that give payers opportunities to reimagine how they interact with members and providers. Cost reduction will follow because better experiences will almost certainly demand eliminating bottlenecks and pain points that hurt members as much as they do the business.

The following are examples of areas in which many payers are eager to cut costs. With generative AI and member-first thinking, these could be viewed as value generators that can preserve and grow member lifetime value.







## Member-centric prior authorization



Getting preapproval for medical procedures and prescriptions is an expensive, time-consuming and often frustrating experience for members and providers. While data standards and regulations aim to streamline the process,<sup>14</sup> those alone won't necessarily deliver a great, new experience.

Payers instead can use generative AI capabilities to develop a prior authorization experience that delivers what members and providers need from the process: better communication and faster decisions. Generative AI can review and summarize incoming requests, automatically update members and providers via text or email on request status, approve basic requests autonomously and push approvals back to providers (see Figure 4). The technology can even calculate whether a request flagged for denial will likely be approved on appeal, helping humans in the loop make better decisions. All these steps can occur within near real time instead of days and weeks.





## Member-centric prior authorization (continued)

When we worked with a large US payer to evaluate its prior authorization processes, we found opportunities for better experiences across service types, procedure code groups, request sources and volume. Once automated, these experiences reduced prior authorization decision times by four to five days and saved the payer \$4 million annually.

This revamped process will reduce costs and increase productivity, while its greatest value is in pleasing members with a transparent, intelligent experience that also empowers their physicians to start treatment sooner and patients to access care quicker. Promptly delivered care should lead to the virtuous circle of better health outcomes, lower costs to achieve those through prompt service and greater retention of happier, healthier members.

Payers can apply similar member-centric thinking and generative AI tools to other operations, including claims adjudication, appeals and grievances, even sales and marketing.

### When generative AI delivers member-centric prior authorization

#### 1. Intelligent prioritization

Intelligently prioritize requests, focusing on clinical urgency and patient history and expediting critical cases to improve patient care through timely access to treatment.

#### 2. Automated decision support

Optimize decision support by predicting approval likelihood and offering real-time recommendations to streamline reviews and ensure consistent authorization decisions.

#### 3. Real-time investigation and collaboration

Enable real-time communication among reviewers, providers and stakeholders through decision support enhancing workflow efficiency.

#### 4. Predictive detection

Detect fraud, waste and abuse by scrutinizing claims data and clinical documentation to flag anomalies.

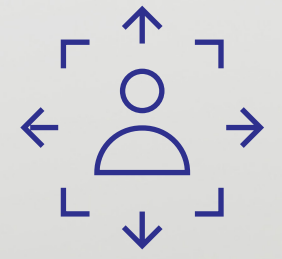
#### 5. Personalized learning assistant

Suggest process enhancements from historical authorization data and reviewer feedback and insights.

Generative AI enables novel approaches to prior authorization that enable payers to create new experiences that deliver faster decisions to reduce friction and satisfy members and providers.







## Member-centric coaching and care



Our Voice of the Member surveys have revealed health plan members want their payers to be more helpful in managing their care and are willing to share data if payers can deliver on that desire,<sup>15</sup> yet most health coaching and care plans are largely generic. Using generative AI, payers can generate member-specific plans and advice that can help improve outcomes and create stronger ties between payers and members—an ongoing challenge.

Generative AI can use member-specific information (e.g., weight, height, demographics, environmental factors and history) plus evidence-based guidelines and standards of care to generate customized plans. Real-time data from member devices (e.g., blood pressure and blood sugar monitors, smart scales and apps) can feed a generative AI solution so it can dynamically update the care plan and alert the member and care manager when needed; member care then becomes continual and engaging vs. episodic. That better experience and improved health management will help the payer avoid the expense of exacerbations and hospital admissions. In addition, personalized health plans and precision care will generate value for members through improved health and a better quality of life.







## Seamless experiences across the healthcare ecosystem



Interoperability regulations promise to enable richer, more fluid data flows throughout the healthcare ecosystem, creating opportunities for synergistic service delivery from industry players.<sup>16</sup> Payers can start by recognizing they must incorporate providers' roles in member satisfaction into their generative AI solutions, bridging a clear but often overlooked gap.<sup>17</sup>

Blue Shield of California has collaborated with network providers to establish a single portal and personal health record for members.<sup>18</sup> The portal will help members understand the connections between their clinical data and resulting claims and enable personalized health reminders, according to the plan's news release.

Payers can work with generative AI, providers and life sciences companies to blur boundaries across the industry's value chain by sharing data and triggering actions. Agentic AI workflows, AI agents working in concert with each other, open the possibility for new levels of industry automation across functional or even corporate boundaries. For example, generative AI agents could retrieve member prescription drug benefit information for providers at the point of care and suggest appropriate brands or generics that meet the member's specific health condition as well as the payer's formularies and share any preauthorization guidelines. This value chain compression and automation must focus on the member experience first, defining and meeting their needs at each key moment to ultimately save time and money across the ecosystem.







## Personalized member benefits



Generative AI tools can help brokers and agents identify the best plan for a prospective or current member's needs. The technology also opens the way to personalizing benefits and even updating or modifying them dynamically as generative AI tools digest member claims data and trigger analysis of changing member needs.

These value-creating generative AI strategies ultimately benefit members and should improve satisfaction and outcomes, in turn leading to greater retention, stronger conversion rates and overall business growth. Yet, based on our research, only 20% of health payers have any sort of AI strategy. We look next at what's needed to develop an experience-first generative AI approach.



# How to develop a members-first AI strategy

Getting beyond a myopic focus on generative AI as a cost-cutting tool requires C-suite support and champions within lines of business. These executives must demonstrate confidence that focusing first on better experiences and outcomes will build the business while ultimately reducing costs.

A different challenge with generative AI is the myriad opportunities it creates with its ability to essentially understand multiple types of data and generate natural language summaries and responses. Yet not every generative AI tool is worth deploying. When evaluating AI initiatives, business leaders must ask “Will this lead to new revenue? How will it grow membership, reduce care gaps and improve outcomes?” The alignment of the tool or solution to key business objectives must be clear.





# Key factors of a successful generative AI strategy

**Transparency.** Transparency and trust go together. Without trust, adoption of AI tools and capabilities will be low. Payers need to continually communicate with members, providers, employers and employees about how the organization is using AI and how that use benefits them.

**Modernized IT landscape.** Outmoded technology can't power a modern member-centric organization. Upgrading core platforms to their latest versions results in refreshed and modern capabilities while reducing expensive legacy technical debt. Platforms that support industry standards and APIs give organizations the greatest flexibility in choosing solutions that support their members' needs.

**Reskilling/upskilling workforce.** With AI becoming ubiquitous in business and consumer tools, organizations will likely find their employees increasingly savvy about AI's uses. Reward employees for using their AI skills to reimagine old processes with member-centered solutions. At the same time, recognize employees may need retraining and new skills to take full advantage of how AI can assist them with research and decision-making.



# Catching the generative AI waves

## Wave 1 Experimenting and preparing

 Low-risk, use case experimentation

 Selective adoption

 Regulatory uncertainty

**13%** Business adoption (“high” scenario)

## Wave 2 Confident adoption

 Business process redesign

 Process-level adoption

 Distributed regulatory guidance

**31%** Business adoption (“high” scenario)

## Wave 3 Embedded collaboration

 Reshape business and operating models

 Ubiquitous adoption

 Established regulatory framework

**46%** Business adoption (“high” scenario)

Only 20% of healthcare organizations say they have an AI strategy. Many are dabbling in AI but now is the time to develop a holistic strategy designed to generate revenue through better member experiences and innovative services.

Figure 4





# Time for a fresh perspective

Scale and scope of care do not automatically result in the intelligent experiences and services consumers now expect from all their service providers. Strategies that focus on building economies of scale through mergers and acquisitions require extensive integration of disparate organizations and cultures before they deliver cost efficiency. But a primary focus on driving out costs can lead to payers competing on commoditized services for ever-lower margins.

The better way forward is for payers to put members first and use generative AI to reshape key moments throughout the healthcare value chain. Payers who take this approach will preserve and grow member relationships. They will have the flexibility to respond to industry market forces with creative products and services. Along the way, they'll almost certainly eliminate expensive waste and redundancy. As these payers grow members' lifetime value, they'll contribute a sizeable portion of the \$1 trillion-plus generative AI pie.





## Notes

- <sup>1</sup> O'Donoghue, Ollie and Duncan Roberts. "New work, new world." Cognizant, January 2024. [www.cognizant.com/en\\_us/insights/documents/new-work-new-world-with-generative-ai-wf2064768.pdf](http://www.cognizant.com/en_us/insights/documents/new-work-new-world-with-generative-ai-wf2064768.pdf)
- <sup>2</sup> Wager, et al. "What drives health spending in the U.S. compared to other countries?" Health System Tracker, 2 Aug. 2024, [www.healthsystemtracker.org/brief/what-drives-health-spending-in-the-u-s-compared-to-other-countries/](http://www.healthsystemtracker.org/brief/what-drives-health-spending-in-the-u-s-compared-to-other-countries/)
- <sup>3</sup> Birch, Patricia and William Shea. "Healthcare industry trends point toward an evolving healthcare economy." Cognizant, August 2024 [www.cognizant.com/us/en/insights/insights-blog/a-market-driven-healthcare-industry-revolution](http://www.cognizant.com/us/en/insights/insights-blog/a-market-driven-healthcare-industry-revolution)
- <sup>4</sup> "What is Self Funding?" Health Care Administrators Association [www.hcaa.org/page/selffunding#](http://www.hcaa.org/page/selffunding#)
- <sup>5</sup> Lambright, Marc and Carol Adams. "Top Trends Shaping The Healthcare Stop Loss Market." Oliver Wyman, fall 2024. [www.oliverwyman.com/our-expertise/insights/2024/sep/top-trends-shaping-2024-stop-loss-market.html](http://www.oliverwyman.com/our-expertise/insights/2024/sep/top-trends-shaping-2024-stop-loss-market.html)
- <sup>6</sup> "2024 Employer Health Benefits Survey." KFF, 9 Oct 2024 [www.kff.org/health-costs/report/2024-employer-health-benefits-survey/](http://www.kff.org/health-costs/report/2024-employer-health-benefits-survey/)
- <sup>7</sup> Ibid.
- <sup>8</sup> Legasse, Jeff. "More than half of healthcare consumers not fully satisfied with their insurance." Healthcare Finance, August 2023 [www.healthcarefinancenews.com/news/more-half-healthcare-consumers-not-fully-satisfied-their-insurance](http://www.healthcarefinancenews.com/news/more-half-healthcare-consumers-not-fully-satisfied-their-insurance)
- <sup>9</sup> "Time to make the apps." Cognizant, August 2023 [www.cognizant.com/us/en/insights/insights-blog/time-to-make-apps-the-2023-voice-of-the-member-survey-wf1992425](http://www.cognizant.com/us/en/insights/insights-blog/time-to-make-apps-the-2023-voice-of-the-member-survey-wf1992425)
- <sup>10</sup> Olsen, Emily. "Medicare Advantage star ratings fall again in 2025." Healthcare Dive, 11 Oct. 2024. [www.healthcaredive.com/news/medicare-advantage-star-ratings-2025-cms/729600/](http://www.healthcaredive.com/news/medicare-advantage-star-ratings-2025-cms/729600/)
- <sup>11</sup> Berryman, Lauren. "CMS keeps raising the bar for Medicare Advantage star ratings." Modern Healthcare, 2 Oct. 2024. [www.modernhealthcare.com/insurance/medicare-advantage-ratings-cut-points-cms-2025](http://www.modernhealthcare.com/insurance/medicare-advantage-ratings-cut-points-cms-2025)
- <sup>12</sup> Waddill, Kelsey. "Keys to success in the Medicare Advantage health equity index." TechTarget, 17 June 2024. [www.techtarget.com/healthcarepayers/feature/Keys-to-success-in-the-Medicare-Advantage-health-equity-index](http://www.techtarget.com/healthcarepayers/feature/Keys-to-success-in-the-Medicare-Advantage-health-equity-index)
- <sup>13</sup> Berryman, Lauren. "How Highmark, Alignment earned top Medicare Advantage star ratings." Modern Healthcare, 8 Nov. 2024 [www.modernhealthcare.com/insurance/top-medicare-advantage-ratings-highmark-alignment-network](http://www.modernhealthcare.com/insurance/top-medicare-advantage-ratings-highmark-alignment-network)
- <sup>14</sup> Meyer, Vanover, et al. "How payers can get a jump on prior authorization changes." Cognizant, 11 Dec. 2024. <https://www.cognizant.com/us/en/insights/insights-blog/how-payers-can-get-a-jump-on-prior-authorization-changes>
- <sup>15</sup> "Time to make the apps." Cognizant, August 2023 [www.cognizant.com/us/en/insights/insights-blog/time-to-make-apps-the-2023-voice-of-the-member-survey-wf1992425](http://www.cognizant.com/us/en/insights/insights-blog/time-to-make-apps-the-2023-voice-of-the-member-survey-wf1992425)
- <sup>16</sup> Hill, Ramaswamy, et al. "Think 'ecosystem' over 'enterprise' – healthcare in the age of patient centricity." Cognizant 30 Sept. 2024 [www.cognizant.com/us/en/insights/insights-blog/healthcare-in-the-age-of-patient-centricity](http://www.cognizant.com/us/en/insights/insights-blog/healthcare-in-the-age-of-patient-centricity)
- <sup>17</sup> Kulkarni, Rohan and Saurabh Gupta. "Re-energize health consumer engagement and bridge the payer-provider divide with GenAI." HFS, 21 Feb. 2024 [www.hfsresearch.com/research/cognizant-us-healthcare-genai-consumers-payer-provider-divide/](http://www.hfsresearch.com/research/cognizant-us-healthcare-genai-consumers-payer-provider-divide/)
- <sup>18</sup> "Your Health in the Palm of Your Hand: Blue Shield of California Is Reimagining Health Record Access." Blue Shield California, 26, June 2024 [news.blueshieldca.com/2024/06/26/your-health-in-the-palm-of-your-hand-blue-shield-of-california-is-reimagining-health-record-access](http://news.blueshieldca.com/2024/06/26/your-health-in-the-palm-of-your-hand-blue-shield-of-california-is-reimagining-health-record-access)







## About Cognizant

Cognizant (Nasdaq-100: CTSI) engineers modern businesses. We help our clients modernize technology, reimagine processes and transform experiences so they can stay ahead in our fast-changing world. Together, we're improving everyday life. See how at [www.cognizant.com](http://www.cognizant.com) or follow us on [@cognizant](https://twitter.com/cognizant)

### World Headquarters

300 Frank W. Burr Blvd.  
Suite 36, 6th Floor  
Teaneck, NJ 07666 USA  
Phone: +1 201 801 0233  
Toll Free: +1 888 937 3277

### European/UK Headquarters

280 Bishopsgate  
London  
EC2M 4RB  
United Kingdom  
Tel: +44 (0) 20 7297 7600

### India Operations Headquarters

5/535, Okkiam Thoraipakkam,  
Old Mahabalipuram Road,  
Chennai 600 096  
Tel: 1-800-208-6999  
Fax: +91 (01) 44 4209 6060

### APAC Headquarters

1 Fusionopolis Link,  
Level 5 NEXUS@One-North,  
North Tower,  
Singapore 138542  
Phone: +65 6812 4000

© Copyright 2025–2027, Cognizant. All rights reserved. No part of this document may be reproduced, stored in a retrieval system, transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the express written permission of Cognizant. The information contained herein is subject to change without notice. All other trademarks mentioned here in are the property of their respective owners.