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Healthcare Isn't Just Expensive, It's Broken

Why AI can fix the crisis

May, 2026

Public

Purpose statement

This document provides an overview of how the healthcare industry must reduce friction across the enterprise. It is intended solely to help you assess the business benefits of deploying artificial intelligence (AI) at scale to automate routine work, connect data, improve decisions, and help the system operate with greater efficiency.

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Health care is no longer just a policy problem. In 2026, it has become an affordability crisis. From families to employers, to government, everyone is paying more. Despite years of debate over how to contain costs, the system remains stubbornly expensive because too much of healthcare still runs on friction: fragmented data, manual workflows, administrative complexity, and delays that waste time, labor, and money and create frustration for everyone involved.

That is the real story behind today's cost surge. Rising expenditures matter, but they are also a symptom of a system that still makes it far too hard to deliver, coordinate, pay for, and navigate care efficiently. Every handoff, every duplicate task, every prior authorization delay, and every disconnected system add friction. And friction, at scale, becomes cost.

Recent federal spending data only reinforce the point: healthcare is still on a sharply rising cost trajectory, with the past two years marking the fastest sustained growth since the 1990s, according to the latest numbers published by the Centers for Medicare & Medicaid Services in January.

That is why incremental reform is no longer enough. Healthcare cannot regulate, negotiate, or cost-shift its way to affordability while leaving the underlying operating model untouched. But promising alternatives like value-based care have struggled to scale because they lack the data integration and real-time analytic capabilities required for success.

To bring costs down in a meaningful way, the industry has to reduce friction across the enterprise. Properly deployed, artificial intelligence (AI) is the only technology capable at doing this at scale by automating routine work, connecting data, improving decisions, and helping the system operate with far greater efficiency.

Care delivery today remains organized around episodic, encounter-based models designed for a different era. Patients move through fragmented systems with incomplete information and limited coordination. Under fee-for-service payment, these failures are not just tolerated; they are actively reinforced.

While modern technology has transformed other industries, the current healthcare system is based on paper processes invented years ago where records were faxed, coding and documentation workflows were built to translate physicians' notes into reimbursement, and administrative infrastructure grew up around billing rather than care. And while we have transitioned to a digitized system, the underlying workflows remain rooted in the same inefficiencies that existed in the paper-based process. As a result, too much of every healthcare dollar is still consumed by administration rather than care.

In the era of AI, where ambient tools can capture clinical information, generate structured documentation, and execute billing and prior authorization workflows with minimal human intervention, the justification for maintaining these manual, intermediary heavy processes collapses.

Beyond efficiency, AI offers the ability to fundamentally change how physicians care for their patients. Advanced analytics can identify patients at rising risk before medical crises occur. Predictive models can surface care gaps, flag key patient insights, and support proactive outreach, also led by AI. Clinical decision support can reduce unnecessary testing and variation by embedding evidence directly into workflows. Care teams can shift from episodic response to continuous management. Prior authorization and claims can be adjudicated right inside the electronic health record.

To bend the cost curve, these capabilities must be paired with a decisive transition to value-based care. Payment models must reward outcomes, prevention, and total cost management, not volume. Global budgets, population-based payments, and real downside risk are economic necessities. Only when providers are accountable for overall cost and outcomes can AI become a force for systemic cost containment.

Interoperability is essential to this transition. AI depends on access to comprehensive data and longitudinal health records that follow patients across the full care journey. The government must continue to advance interoperability while strengthening privacy and security in an era of escalating cyber threats.

The choice facing U.S. healthcare is no longer ambiguous. We can continue to operate a fragmented, fee-for-service system that waits for patients to deteriorate and then pays handsomely to treat them, or we can redesign

care around early intervention, accountability, outcomes, and far less friction. That choice will determine not only how care is delivered, but whether it becomes more affordable for the people and institutions paying for it.

Every organization in the healthcare ecosystem should be developing and deploying their own AI strategies to address the system's unacceptable inefficiencies and enable the emergence of new care models. Over the next few weeks, I will be writing more about how healthcare systems can do it in a way that delivers real tangible transformative results and how the Oracle AI Center of Excellence for Healthcare can help them leverage embedded, enterprisewide AI to achieve their key goals.

Artificial intelligence will not fix healthcare on its own, it can't work without interoperability, and healthcare will always require a human touch. But paired with value-based care, it offers the first credible path in decades to reduce the friction, waste, and complexity driving costs ever higher. In an era when healthcare affordability has become a kitchen-table issue for families and a growing economic burden for employers and government, the question is no longer whether we can afford to adopt AI; it is whether we can afford not to.