

Healthcare IT Investment: Stability and Growth in the Face of “SaaSpocalypse” Fears

Providers and payers alike are investing in tech amid operating challenges, though near-term uplift is required as the bill comes due on AI.

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At a Glance

- Facing challenging environments, providers and payers see technology as indispensable and expect IT spending to grow.
- Despite investor fears of a “SaaSocalypse,” incumbent moats persist, and buyers believe they will deepen with further AI embedment.
- AI pilots have demonstrated value in ambient documentation, but strong ROI will be essential for the technology to scale.
- While a payer-provider “arms race” has fed breakneck spending on AI, signs of détente are emerging.

Providers and payers faced different macro pressures in the first half of 2026 but arrived at the same conclusion: Technology is critical to improving operations but must be able to pay for itself—and quickly.

Written in collaboration with



Providers remain capacity constrained and understaffed, with median operating margins hovering in the low single digits (with even greater pressure in rural systems). In parallel, payers are responding to significant margin pressures of their own. While magnitude and drivers vary by line of business, rate increases have slowed amid a period of higher utilization. At the same time, plans are contending with rising

specialty-drug costs, the CMS-HCC V28 risk adjustment model weighing on Medicare Advantage economics, adverse selection in exchange populations, and a looming deadline for CMS interoperability and prior authorization requirements.

None of this has diminished the standing of IT. About 95% of providers and payers alike place software and digital technology among their top five strategic priorities, and most expect to increase spending. What has changed is the burden of proof: Executives want solutions tied to a specific use case, with measurable returns and short time to value. Their constraints are largely internal. Limited IT resources and conflicting priorities remain the primary barriers to deploying technology and achieving outcomes.

Artificial intelligence continues to move from planning to execution. The percentage of providers with an established AI strategy has almost doubled over the past two years, and about 80% of payers are developing or have established an AI strategy.

Bain & Company and KLAS Research's survey of 303 US healthcare executives provides a current view of where investment dollars are going and why. For the first time, the research covers independent physician groups (ambulatory providers) as a distinct population alongside health systems (acute providers) and payers.

Where providers are investing

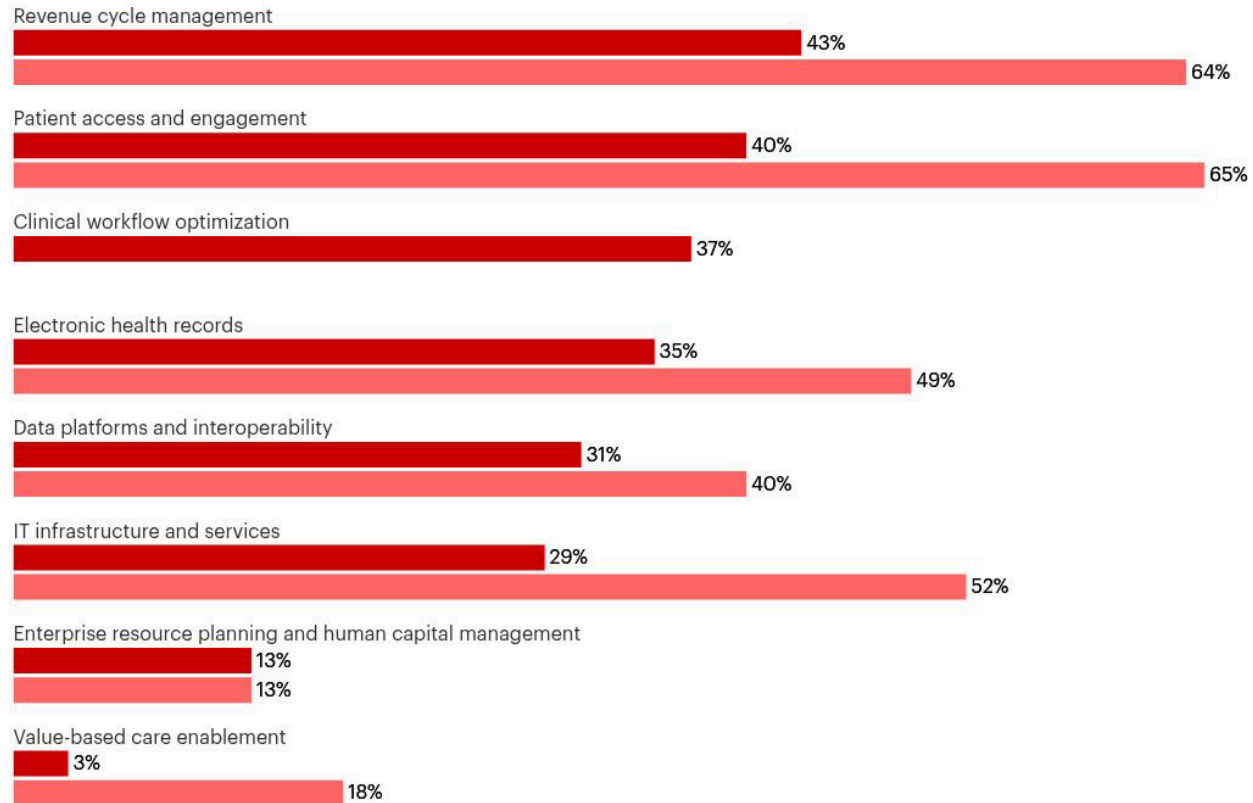
While provider IT priorities differ across acute and ambulatory segments, revenue cycle management (RCM) is the common denominator, ranking as a critical priority for both groups (see Figure 1). These investments have taken on renewed urgency: As payers incorporate further automation into their processes, providers are worried about falling behind. Accordingly, they are investing in countermeasures, particularly around denial management and clinical documentation improvement.

Figure 1

RCM is a top investment priority for acute and ambulatory providers alike

Percentage of providers citing each solution as a top-three priority

■ Acute ■ Ambulatory



Note: Ambulatory providers were not polled on clinical workflow optimization

Source: Bain 2026 Provider and Payer Healthcare IT Survey (n=303)

Outside of RCM, priorities diverge. Health systems are investing to optimize clinical workflows in areas such as ambient documentation, clinical decision support, and patient flow and bed management. For ambulatory groups, patient access and engagement is the single highest priority. Given the importance of visit volume to practice economics, patient scheduling, registration, and outreach are integral to the

revenue engine itself, not simply front-office conveniences. These groups are also placing relatively more emphasis on IT infrastructure and services, a reflection of how lean internal IT functions typically are.

Providers continue to favor electronic health record (EHR) systems, with Epic users showing a particularly pronounced preference for EHR-native solutions. Bias toward EHR-native vs. third-party solutions varies across the market, driven largely by the breadth and quality of each EHR vendor's suite. Integrated suites generally improve user experience, enable providers to avoid the IT burden associated with maintaining third-party integrations, and help amortize the hefty upfront costs of EHR implementation—dynamics that matter in a resource-constrained environment.

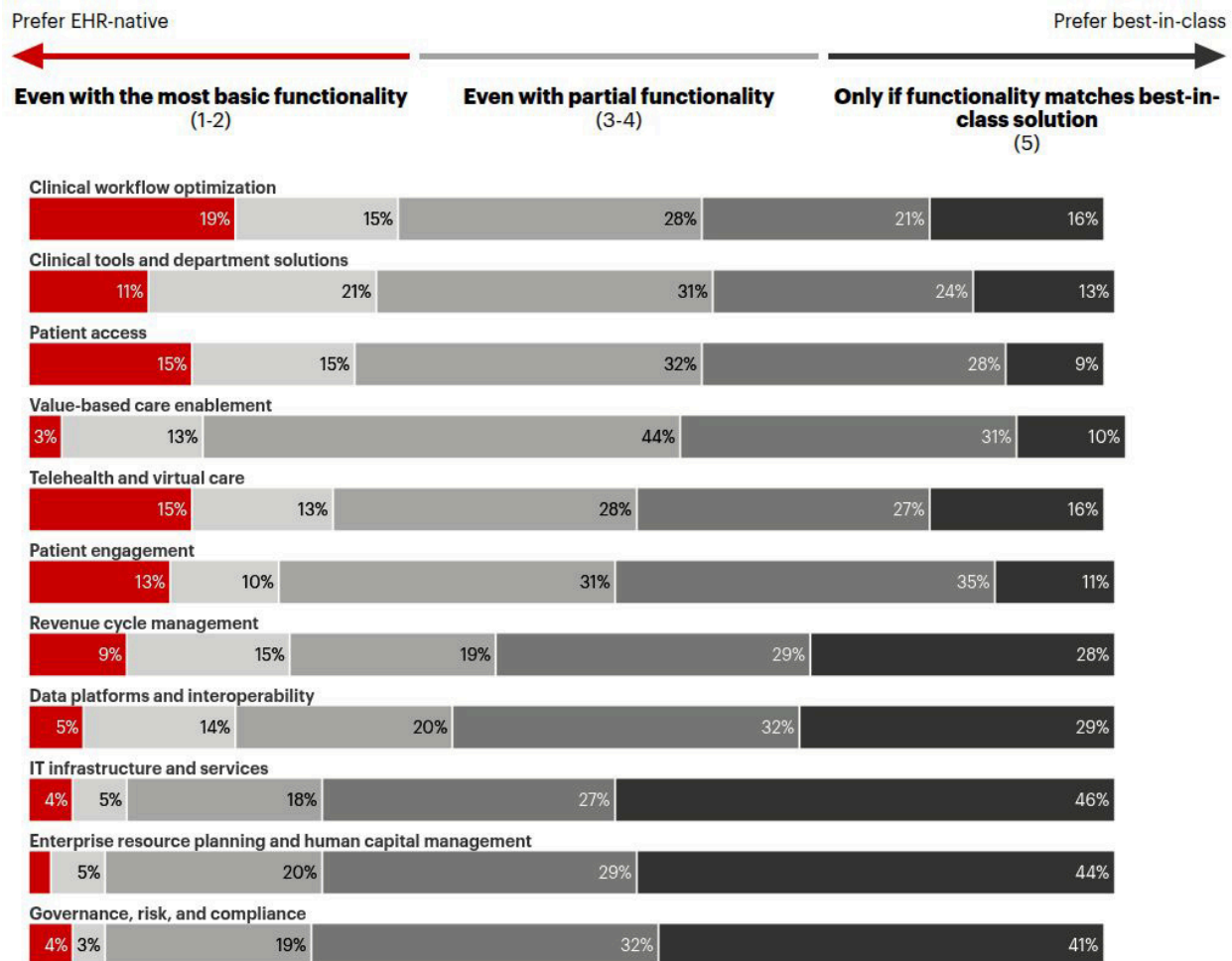
Preference for EHR-native solutions tracks distance from the clinical core (see Figure 2). In categories tightly coupled to clinical work, such as clinical workflow optimization and patient access, buyers default to EHR-native solutions because quality and depth of integration trump bells and whistles. EHR vendors have historically placed less emphasis on further-out categories such as enterprise resource planning (ERP) and governance, risk, and compliance (GRC). Established horizontal suites and a distinct preference to maintain independent systems for compliance purposes have created clear space for third-party vendors in these categories.

Figure 2

Providers often prefer EHR-native solutions with partial functionality over best-in-class solutions

Hover over smaller segments for data

Percentage of acute providers that prefer each level of functionality, by priority



Source: Bain 2026 Provider and Payer Healthcare IT Survey (n=303)

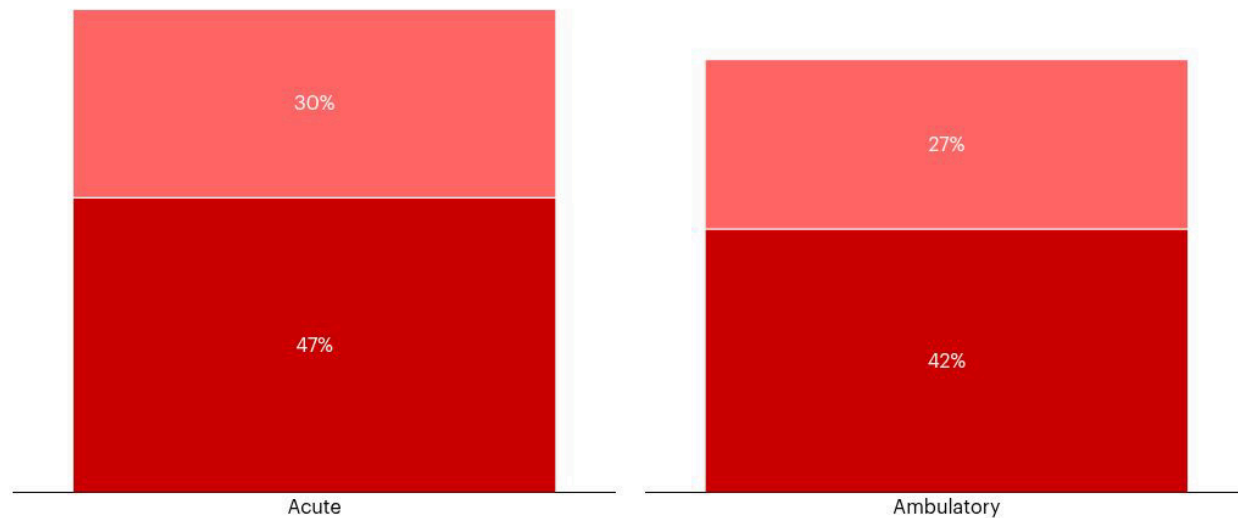
While private equity investment in healthcare IT companies and M&A have softened in recent months, with public comps trading down on talk of a “SaaSpocalypse,” EHR appears to be a resilient software category across many provider segments. Few provider organizations have the appetite to build their own EHR systems, and once they adopt one, they are loath to switch. Despite investor fears that generative AI could lower barriers to entry and weaken incumbent moats, nearly 80% of acute provider organizations surveyed think that GenAI advances will increase their switching costs or otherwise have no impact (see Figure 3).

Figure 3

A plurality of providers believe GenAI advances will increase EHR switching costs

Percentage of providers that expect GenAI to increase switching costs or have no impact

■ Increase cost to switch ■ No impact



Source: Bain 2026 Provider and Payer Healthcare IT Survey (n=303)

That said, the pace of innovation is clearly accelerating. As penetration across EHR and other core modules approaches saturation, vendors must seize the growth opportunities that this next technology adoption curve brings, including agentic workflow enhancement and expansion into traditional services such as RCM. It may be difficult to recover this ground once taken.

Where payers are investing

Payer technology investments are concentrated in member care coordination and utilization management (UM), member/care navigation, and claims processing (see Figure 4). The January 2027 deadline for CMS interoperability and prior authorization requirements (CMS-0057-F) adds regulatory urgency to an already compelling ROI case. Prior authorization and UM investments can reduce both medical loss ratio and administrative costs. Importantly, they also pull forward engagement with providers on eligibility, clinical necessity, and coding, each a major friction point and cause of denied claims.

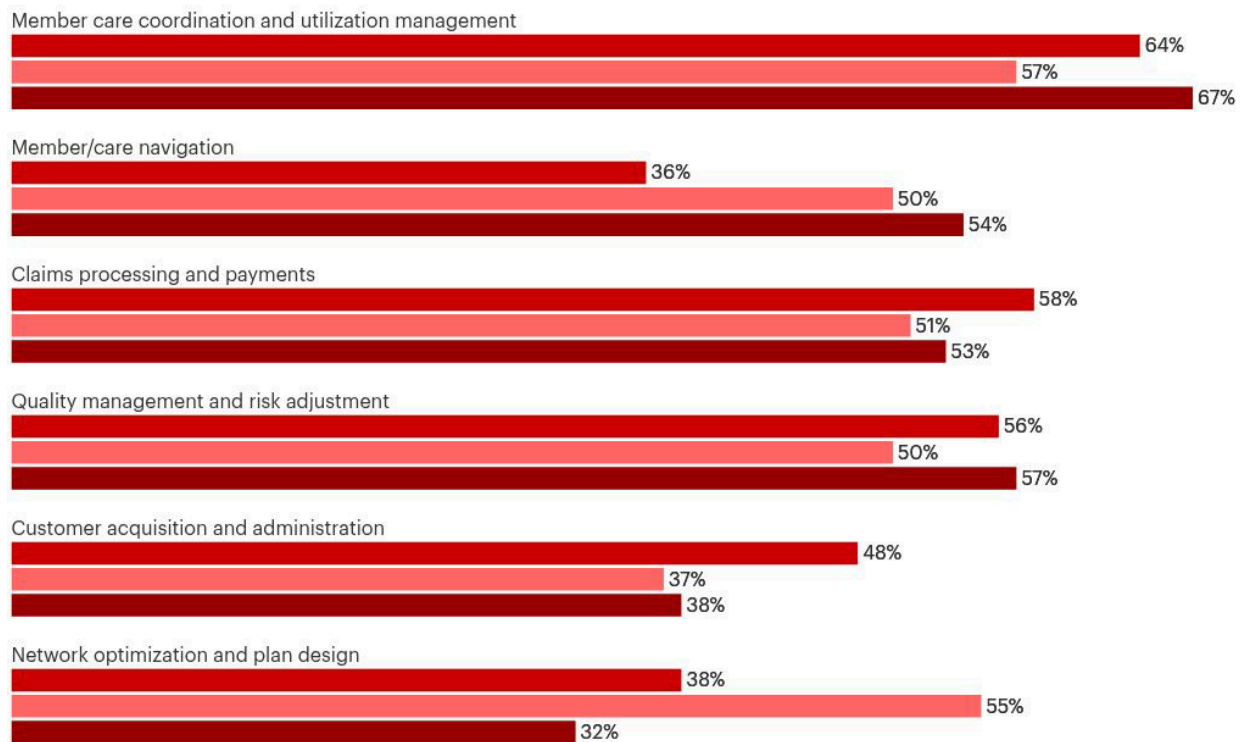
Challenged plan economics significantly influence how payers choose technology solutions and vendors. Total cost of ownership is critically important in this environment, favoring categories with near-term financial returns. In many cases, plans are targeting cost opportunities in people-heavy workflows that they can further automate via AI. Member navigation and claims processing are two areas that exemplify the push. Both involve substantial manual workflow and contact center operations, attributes that reliably fuel AI wins across industries. Member navigation investments also help guide members to the most effective providers and sites, improving health outcomes and reducing costs.

Figure 4

Member care coordination and utilization management remain top payer priorities, with claims processing rising

Percentage of payers citing each IT solution as a top-three priority

■ 2024 ■ 2025 ■ 2026



Sources: Bain 2026 Provider and Payer Healthcare IT Survey (n=303); 2025 survey (n=228); 2024 survey (n=150)

Among the most-cited pain points are legacy technology and the burden of maintaining disparate parallel solutions across lines of business. Barriers to technology deployment remain consistent, led by limited internal resources, technical debt, and conflicting priorities; as with providers, internal capability constraints outweigh vendor or technical limitations.

Payers approach the software ecosystem differently than providers do. While their core administrative processing system (CAPS) anchors claims and payments, it is still exerting limited pull on adjacent categories. Only about 15% of payers view themselves as “CAPS-first,” although this varies by plan size, and regional plans are much more willing to default to suites offered by their CAPS vendor.

AI adoption matures

Provider enthusiasm for AI continues to climb, with about 75% of respondents now describing themselves as optimistic or highly optimistic. Ambient documentation, chart summarization, and clinical documentation improvement are the leading use cases for providers today. Ambient documentation has also begun to return clear ROI. While its initial benefits centered on physician well-being, mounting proof points from top providers illustrate financial uplift via improved patient throughput.

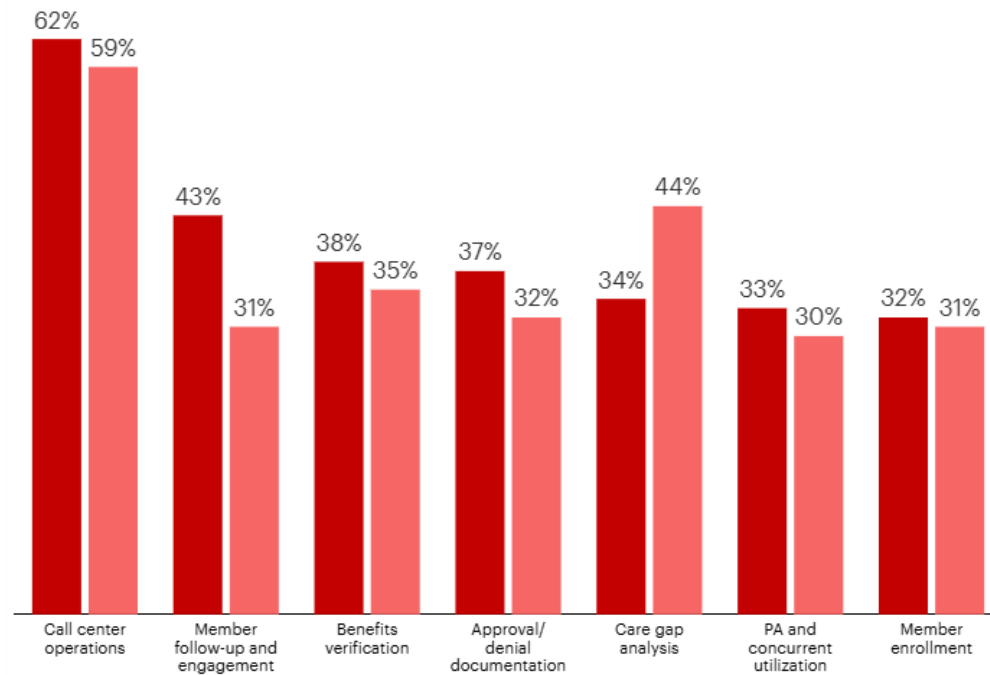
Payers similarly are moving from experimentation to tangible returns, with the greatest traction in people-intensive workflows. Call center operations stand out, with over 60% of payers reporting AI in pilot or full rollout and about 60% saying those investments are meeting or exceeding ROI expectations (see Figure 5). Other use cases are still in the early stages, although care gap analysis is emerging as another bright spot.

Figure 5

Payers are seeing the strongest AI traction in call centers

Percentage of payers reporting AI use cases

■ In full rollout or pilot ■ Meeting or exceeding ROI expectations



Source: Bain 2026 Provider and Payer Healthcare IT Survey (n=303)

Cost and accuracy remain the main barriers to scaling AI adoption among providers. While 2024 and 2025 were largely characterized by leaders encouraging AI experimentation within their organizations as an imperative from the board, cost is coming to the fore given rising AI token spend. Much early adoption has been based on intuition and optimism, but as AI enters its next stage of maturity, there is a growing sense that the bill is coming due: ROI will become increasingly important to sustain investment.

Across both providers and payers, returns are most often measured through cost savings, revenue uplift, and productivity gains. Many organizations, however, have no formal return threshold. Among those that do, the most common hurdle is a return of 3.0 to 3.9 times the original investment.

The most consequential AI contest is the one between payers and providers, being played out through their respective vendors. Providers see payer AI investments in payment integrity and UM, and they feel overwhelmed in managing claim denials. As a result, providers feel they have no choice but to engage with RCM vendors that promise to help them keep pace by automating key processes around clinical documentation, coding, and denials.

Despite provider fears, signs of détente are emerging on the horizon. Clinical data exchange is advancing, with clear progress on eligibility verification and prior authorization, including commitments by health plans via AHIP to implement standardized submission requirements and reduce the scope of claims subject to prior authorization. Extending that cooperation to risk adjustment and UM activities will require business model innovation and greater trust to bridge the divide. Several vendors are building toward this future for their provider and payer customer bases, and we're optimistic that rapprochement will be a theme of next year's paper.