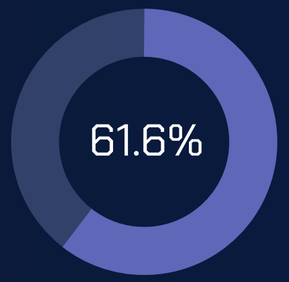
CHAPTER 1:

The value-based care imperative



61.6% of healthcare costs are now tied to value-based care contracts

Most VBC arrangements are **managed through spreadsheets** rather than sophisticated software

Agentic AI enables healthcare organizations to orchestrate **complex workflows at scale**

1: THE VALUE-BASED CARE IMPERATIVE

Understanding value-based care

Traditional healthcare operates on a fee-for-service model: doctors are paid for each procedure, each visit, each test.

They're paid for treating people when they get sick – not for keeping them healthy. Value-based care fundamentally alters this dynamic.

In value-based care, payers (insurance companies, Medicare, Medicaid) and providers (hospitals, physician groups) enter into contracts with shared goals such as reducing heart disease prevalence, improving medication adherence, lowering hospital readmissions. They track performance against these outcomes over time and share the financial results – both savings and risks.

Value-based care is fundamentally about orchestrating highly complex data and workflows across fragmented systems. Exactly what Pega's platform was designed to do.

Why this is complex:

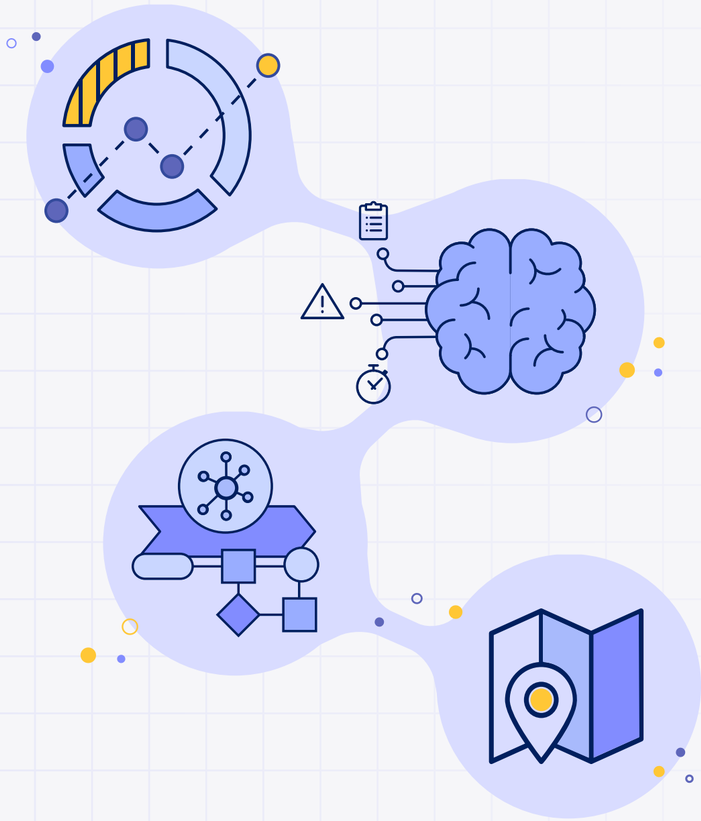
People experience healthcare not as isolated events but across moments, episodes, and journeys. A patient with diabetes might have regular check-ups, specialist visits, lab work, prescription refills, emergency room visits, and preventive education, all of which must be tracked, coordinated, and optimized across months or years.

These interactions trigger complex workflows that span multiple software systems, providers, and data sources. A missed appointment could signal deteriorating health. Eliminating a medication adherence gap could lead to a preventable hospitalization. An abnormal lab result requires immediate outreach and care coordination.

The scale of the challenge

As noted, 61.6% of healthcare costs are tied to value-based contracts somewhere in the system*. But most of this exists in spreadsheets, not in actual care orchestration platforms.

Organizations track shared savings calculations, quality metrics, and attribution logic through manual processes rather than intelligent workflows.



*Source: Health Care Payment Learning & Action Network (HCA-LAN) Annual Measurement Report. URL: https://www.forbes.com/councils/forbestechcouncil/2025/03/25/charting-the-path-forward-to-value-based-care/

Core challenges healthcare leaders face

1 Fragmented data across systems

Healthcare data lives everywhere: claims systems, electronic health records, lab systems, pharmacy networks, care management platforms, social service databases.

Yet, for a unified view of a member's health journey it requires integrating dozens of disparate sources, made even more difficult since each usually has a different data model, update frequencies, and quality standards.

2 Clinician burnout and administrative burden

Healthcare faces a retention crisis. In Europe and the United States alike, there is already a shortage of clinical staff. Talented clinicians entered the field to care for patients, not to perform clerical work.

Yet, for instance care coordinators spend hours documenting in multiple systems, chasing down authorizations, and managing administrative tasks, all of which should be automated. Heightened volume of clerical work and administrative tasks are often listed as key reasons clinical staff leave the profession.

3 Misaligned incentives and complex contracts

Value-based contracts come in many forms: shared savings, shared risk, bundled payments, capitation, accountable care models. Each has different attribution logic, quality metrics, and financial calculations.

The complexity and the variety can be overwhelming; manually managing these contracts results in errors, delays, and missed opportunities for intervention – potentially contributing to poorer outcomes, rather than improving outcomes, as value-based contracting is intended for.

4 Localized complexity

Value-based care is inherently localized because it involves specific provider networks, regional health needs, and community resources.

What works for Medicare Advantage in Florida differs from Medicaid managed care in California. This micro-level complexity makes standardized solutions difficult to efficiently implement maintain.