

## TOWARD THE FUTURE OF HEALTHCARE

### — KAISER PERMANENTE'S COMMITMENT TO VALUE-BASED CARE THROUGH COLLABORATION AMONG PATIENTS, PAYERS, AND PROVIDERS —

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#### SUMMARY

- In the United States, amid soaring healthcare costs, there is a shift from paying for the volume of medical services (Fee-For-Service) to paying based on outcomes and quality — known as Value-Based Care (VBC).
- Kaiser Permanente, a pioneer in VBC, operates as an integrated healthcare system that unifies payers, hospitals, and physician groups. It practices data-driven, patient-optimized preventive interventions and disease management, focusing on community healthcare and multidisciplinary collaboration.
- A unified data platform that visualizes outcomes and quality is essential for realizing VBC. In the future, AI is expected to enhance analysis accuracy, optimize VBC contract performance, and advance predictive and personalized care.

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#### 1. INTRODUCTION: WHY VALUE-BASED CARE NOW?

In the U.S., aging of the population, rising labor costs, and technological advances have driven a rapid increase in healthcare expenses, with total expenditures reaching about \$4.9 trillion, or 17.6% of GDP.<sup>1</sup> The traditional fee-for-service model, which reimburses providers based on service volume, is increasingly seen as unsustainable.

To address these challenges, Value-Based Care (VBC) has been introduced to improve outcomes<sup>2</sup> and quality while reducing costs. For example, in obesity treatment, rather than prescribing GLP-1 drugs uniformly, data analysis is used to identify patients likely to benefit from such drugs, and preventive and behavioral interventions — healthy meal delivery and nutrition guidance — are combined, exemplifying VBC.

A key turning point in the expansion of VBC was the Affordable Care Act<sup>3</sup> in 2010, which introduced the concept of Accountable Care. Accountable Care Organizations (ACOs)<sup>4</sup> aim to place a person-centered care team in

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<sup>1</sup> CMS.gov website <https://www.cms.gov/data-research/statistics-trends-and-reports/national-health-expenditure-data/historical> (accessed February 6, 2026)

<sup>2</sup> Outcome: According to the Agency for Healthcare Research and Quality (AHRQ), an outcome is defined as “the impact of a healthcare service or intervention, and can include events or results in a patient’s health status or quality of life, patient, provider, and population attitudes and behaviors, as well as new evidence, research, prevention strategies, treatments, and care models.” <https://www.ahrq.gov/topics/outcomes.html> (accessed November 10, 2025)

<sup>3</sup> Patient Protection and Affordable Care Act (ACA)

<sup>4</sup> CMS.gov website <https://www.cms.gov/priorities/innovation/key-concepts/accountable-care-and-accountable-care-organizations> (accessed February 6, 2026) Accountable care organizations (ACOs) refer to groups of doctors, hospitals, and other health care professionals that work together to give patients high-quality, coordinated service and health care, improve health outcomes, and manage costs.

charge of improving quality of care, care coordination, and health outcomes for a defined population, while reducing care fragmentation and avoiding unnecessary costs for both individuals and the healthcare system. This concept aims to eliminate non-essential costs and embody VBC principles.

This report reviews the recent trends in VBC in the U.S., draws on insights from the author's participation in Kaiser Permanente's Integrated Care Experience Program<sup>5</sup>, and examines future directions and implications for Japan.

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## 2. DEFINITION OF VALUE-BASED CARE AND STAKEHOLDERS

### 2-1. What is Value-Based Care (VBC)?

While definitions of VBC vary, it is generally understood as “a healthcare model that aims to simultaneously achieve improved quality of care, lower costs, and enhanced patient experience<sup>6</sup> through coordinated care, promotion of preventive medicine, strengthened patient involvement<sup>7</sup>, utilization of data, and value-based payment systems”.<sup>8</sup> Under VBC, payers<sup>9</sup> and providers enter into value-based contracts, in which reimbursement is explicitly linked to performance indicators such as clinical outcomes, patient-reported measures, and cost indicators.

Outcome indicators include:

- Quantitative measures such as readmission rates, emergency visits, and indicators of chronic disease management.
- Patient-reported outcome measures (PROMs)<sup>10</sup> and patient-reported experience measures (PREMs)<sup>11</sup>.
- Cost evaluations based on insurance claims data.

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<sup>5</sup> [2025 Integrated Care Experience Recap - KP International | Kaiser Permanente International](#) (accessed February 6, 2026)

<sup>6</sup> Patient experience: According to the US Agency for Healthcare Research and Quality (AHRQ), “patient experience encompasses the range of interactions that patients have with the healthcare system, including their care from health plans, and from doctors, nurses, and staff in hospitals, physician practices, and other healthcare facilities.”<https://www.ahrq.gov/cahps/about-cahps/patient-experience/index.html> (accessed February 6, 2026)

<sup>7</sup> Patient involvement: Patients’ understanding of their own conditions and treatment plans, and active participation in shared decision-making with healthcare providers.

<sup>8</sup> Deerberg-Wittram, J. (2025 April) . *Global Progress on Value-Based Care: Insights report*. NEJM Catalyst.

<sup>9</sup> Payer: An entity that finances healthcare and reimburses providers for medical services, including private insurers, public programs (e.g., Medicare and Medicaid), and self-insured employers.

<sup>10</sup> PROMs (Patient-Reported Outcome Measures): Measures of health outcomes and quality of life reported directly by patients (e.g., EQ-5D, SF-36). Electronic capture of PROMs is referred to as ePRO.

<sup>11</sup> PREMs (Patient-Reported Experience Measures): Measures of patients’ experiences and satisfaction with healthcare services, reported directly by patients (e.g., CAHPS surveys).

## 2-2. Stakeholders and Their Roles

Achieving VBC requires a structure where payers, providers, patients, and manufacturers complement each other. (Figure 1)

**Figure 1: Stakeholders in Value-Based Care**

Stakeholders	Examples	Primary Roles in VBC
Payers	Public and private payers	Designing outcome-based payment models, structuring financial incentives, and enabling cross-stakeholder data integration.
	Hospitals	Transitioning revenue models away from fee-for-service, leveraging integrated data systems, promoting team-based care, and reducing avoidable readmissions.
Providers	Clinics	Delivering preventive care and chronic disease management, expanding telehealth utilization, supporting hospital-at-home models, and strengthening community-based care.
	Pharmacies	Providing medication therapy management, supporting medication administration and adherence, and conducting ongoing patient monitoring.
Patients		Actively engaging in shared decision-making by generating and sharing data on symptoms, outcomes, and patient-reported experiences.
Manufacturers	Pharmaceutical, biotechnology, and medical device companies	Implementing value-based pricing and outcome-based contracting arrangements, and utilizing real-world evidence.

Source: Compiled by MGSSI based on publicly available sources

## 3. KAISER PERMANENTE: A PIONEER IN VBC

### 3-1. Overview

Kaiser Permanente (KP) is recognized globally as a VBC pioneer, operating 40 hospitals and 610 clinics across eight U.S. regions, with about 25,000 physicians serving 12.6 million members (about 4% of the U.S. population).<sup>12</sup> Many families join across generations, and about 60% cite the high quality of care as their main reason for choosing KP.<sup>13</sup>

The KP organization consists of (Figure 2):

1. Kaiser Foundation Health Plan (payer)
2. Kaiser Foundation Hospitals (hospital operator)
3. Permanente Medical Group (physician group)<sup>14</sup>

Revenue comes solely from health insurance premiums, using a capitation (per capita fixed payment)<sup>15</sup> model.

<sup>12</sup> [Fast Facts | Kaiser Permanente](#) (accessed February 9, 2026)

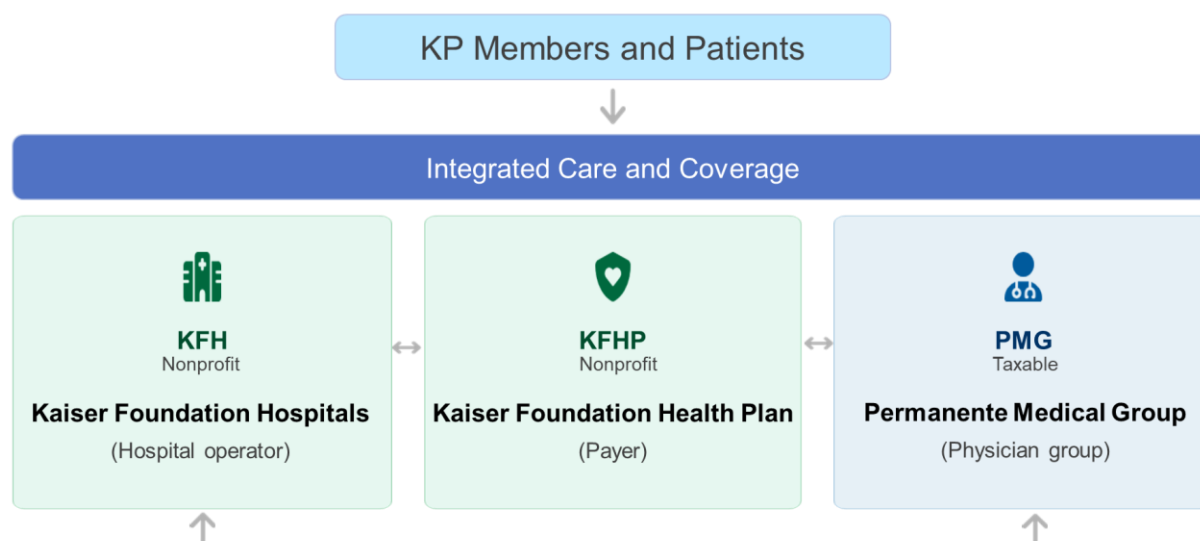
<sup>13</sup> [Integrated Care Experience Program hosted by Kaiser Permanente \(May 4-7, 2025\) 2025 Integrated Care Experience Recap - KP International | Kaiser Permanente International](#)

<sup>14</sup> At Permanente Medical Group (PMG), physicians are employed on a salaried basis.

<sup>15</sup> Capitation (per capita fixed payment): A payment model in which providers receive a fixed monthly payment per enrolled member (Per Member Per Month: PMPM), incentivizing cost control and improved health outcomes within a set budget.

KP emphasizes community healthcare and multidisciplinary collaboration, focusing on preventive and personalized care. Hospitals are seen as “functions” and serve as hubs in a regional healthcare network, supported by the proprietary KP HealthConnect® system, which integrates medical records, drug information, insurance data, and patient portals for real-time information sharing.

**Figure 2: Kaiser Permanente as a Pioneer in VBC**



Source: Compiled by MGSSI based on materials from the Kaiser Permanente Integrated Care Program 2025 (partially adapted).

Over its more than 80 years of operations, KP has developed its distinct model of VBC that enhances health outcomes and expands access to affordable services through evidence-based practices, a commitment to equity, simplicity, and aligned incentives across the system.

### 3-2. VBC Practice Examples<sup>16</sup>

**Diabetes Care Program:** The program features regular patient check-ins and team-based care involving clinicians, educators, and weight management specialists, combined with immediate HbA1c<sup>17</sup> testing and rapid treatment plan adjustments. As a result, glycemic control rates improved from approximately 40–50% to 60–70%. Medication adherence is supported by mail order pharmacy<sup>18</sup> and automatic refill reminders<sup>19</sup>. Bluetooth-enabled glucose meters and continuous glucose monitors (CGM)<sup>20</sup> automatically share data with the care team via electronic medical records.

**Chronic Population Management:** For patients with difficulty visiting clinics, comprehensive medical, nursing, and social support is provided at home. After assessment by a dedicated nurse, a team (doctor, nurse, pharmacist, social worker) offers ongoing support, including tests, vaccinations, and tracheostomy tube changes at home.<sup>21</sup> In San Bernardino County, about 420 patients were registered in 2024, resulting in \$3.7 million in annual cost savings by reducing emergency visits and hospitalizations.

<sup>16</sup> Compiled by MGSSI from lectures and materials of the Integrated Care Experience Program hosted by Kaiser Permanente International (May 4-7, 2025), [2025 Integrated Care Experience Recap - KP International | Kaiser Permanente International](#)

<sup>17</sup> HbA1c: An indicator reflecting mean blood glucose levels over the past 1 to 2 months.

<sup>18</sup> Mail order pharmacy: A system in which medications are dispensed from a distribution center and delivered directly to patients based on electronic prescriptions.

<sup>19</sup> Automatic refill reminders: A system that automatically notifies patients when it is time to refill regularly prescribed medications.

<sup>20</sup> Continuous glucose monitors (CGM): Devices that continuously measure glucose levels via a subcutaneous sensor throughout the day. Examples include FreeStyle Libre (Abbott) and Dexcom G6/G7 (Dexcom).

<sup>21</sup> Each physician is responsible for approximately 40 to 100 patients.

**Advanced Medical Care at Home<sup>22</sup>:** For patients with moderate to severe conditions, such as infections and cardiovascular disease, the program combines daily remote consultations by hospital-based specialists with in-home nurse visits and 24/7 remote patient monitoring. The average home treatment duration is 2.5 days, with low emergency visit (5.5%) and hospitalization rates (3.6%), confirming the effectiveness of the home acute care model.

#### 4. STAKEHOLDERS PRACTICING VBC: PAYERS AND PHARMACEUTICAL COMPANIES

##### 4-1. Payers Shifting to Comprehensive Care Models

For payers, VBC serves as a powerful mechanism to ensure the sustainability of limited healthcare resources while optimizing allocation and improving the quality of care. There is a shift taking place from high-cost, inpatient-centered models toward comprehensive care models that combine prevention, outpatient, and home care. Both public and private payers, including the Centers for Medicare & Medicaid Services (CMS) and Humana, are actively adopting VBC models. (Figure 3)

**Figure 3: Examples of Payers Implementing VBC**

Category	Organization	Key VBC model / initiative	Comments
Public Payers	Centers for Medicare & Medicaid Services (CMS)	Accountable Care Organizations (ACOs); ACO REACH (health outcomes-based Medicare contracting model)	The Transforming Episode Accountability Model (TEAM) is scheduled to be implemented from 2026 to 2030 as a mandatory program for selected acute care hospitals. The model covers five surgical episodes, such as hip fracture treatment, and provides a bundled, episode-based payment covering care from diagnosis through surgery and up to 30 days post-discharge.
Private Payers	Humana	Approximately 70% of Humana's Medicare Advantage members are eligible for VBC arrangements	Hospitalizations rates among Medicare Advantage members under VBC contracts were 32.1% lower than those among beneficiaries enrolled in traditional Medicare in 2023. In addition, Medicare Advantage VBC arrangements were reported to generated an estimated USD 11 billion in healthcare cost savings during the same year.

Source: Compiled by MGSSI based on publicly available sources

##### 4-2. Pharmaceutical Companies Required to Prove Value

Pharmaceutical companies are increasingly required to use clinical data to demonstrate the appropriateness of the pricing and the value of their products, as payers remain cautious about the adoption of high-cost drugs. Outcome-based contracts are being introduced, particularly for expensive therapies targeting rare diseases, such as those developed by Spark Therapeutics and Novartis (Figure 4). As markets for obesity, dementia, and cell and gene therapies continue to expand, the standardization of outcome measures and their implementation within reimbursement frameworks will become increasingly important.

<sup>22</sup> Advanced Medical Care at Home program implemented in San Bernardino County

**Figure 4: Examples of Outcome-Based Contracts with Drug Manufacturers**

Pharmaceutical company	Drug name	Indication	Payer	Contract details
Spark Therapeutics	Luxturna	Retinal dystrophy associated with biallelic RPE65 mutations	Cigna, Express Scripts, Harvard Pilgrim	The list price is USD 456,875 per eye. If pre-specified outcome thresholds are not met at 90 days (short-term efficacy) and 30 months (long-term durability) following injection, rebates are provided.
Novartis	Zolgensma	Spinal muscular atrophy with biallelic SMN1 mutations	Cigna, Harvard Pilgrim, Mass Health	The list price is USD 2.4 million. An installment-based payment option spanning up to five years has been introduced, with a portion of payments tied to outcome-based performance depending on clinical results observed during that period.
bluebird bio	Zynteglo	$\beta$ -thalassemia (blood disorder)	Medicaid, private insurer (not publicly listed)	The list price is USD 2.8 million. If a patient fails to achieve or maintain transfusion independence, payers may receive rebates of up to 80% over a maximum of two years. In addition, outcome-based contracts have been established with Medicaid programs in selected states.

Source: Compiled by MGSSI based on "A Targeted Literature Review of Value-Based Agreements (VBAs) for Cell and Gene Therapies in the United States", Beam Therapeutics, ISPOR 2025 CTI poster presentation, Ryan A. Babakhani et al., available at: [https://www.ispor.org/docs/default-source/cti-meeting-21021-documents/826c6eeb-0a1d-43b9-b11e-ef228133ad38.pdf?sfvrsn=c057c224\\_0](https://www.ispor.org/docs/default-source/cti-meeting-21021-documents/826c6eeb-0a1d-43b9-b11e-ef228133ad38.pdf?sfvrsn=c057c224_0) (accessed November 11, 2025).

## 5. IT INFRASTRUCTURE SUPPORTING VBC: INTEGRATED DATA AND AI

### 5-1. Integrated Data

Implementing VBC requires a robust data platform capable of continuously integrating diverse, high-quality data — including clinical records, claims data, patient-reported outcomes, and social determinants of health (SDoH)<sup>23</sup> — to enable fair and accurate evaluation of costs and outcomes. Leading companies are aggregating data derived from tens to hundreds of millions of patients to support data-driven decision-making by providers and payers. At the same time, data standardization, interoperability, privacy, and security remain critical prerequisites for scalable VBC implementation. In November 2025, Innovaccer was selected for a California state initiative to integrate and leverage data from approximately 2 million public insurance beneficiaries, marking the start of state-level VBC adoption<sup>24</sup>.

### 5-2. AI

AI is emerging as a core enabling technology for VBC, supporting high-risk patient identification, real-time intervention recommendations, and the optimization of contract performance. For example, Persivia leverages AI to identify patients likely to use significant medical resources and to initiate preventive interventions and care management,<sup>25</sup> while Pearl Health offers early hospitalization risk prediction.<sup>26</sup>

<sup>23</sup> Social Determinants of Health (SDoH): The social and economic factors that influence health outcomes, including housing, food security, transportation, income, and employment.

<sup>24</sup> Innovaccer website <https://innovaccer.com/resources/news/innovaccer-secures-statewide-partnership-to-power-californias-enhanced-care-program-for-2-million-medi-cal-patients> (accessed February 9, 2026)

<sup>25</sup> Persivia website [https://persivia.com/2021/08/20/ai-and-persivia-how-vbc-organizations-can-begin-to-implement-ai-solutions-for-maximum-impact/?utm\\_source=chatgpt.com](https://persivia.com/2021/08/20/ai-and-persivia-how-vbc-organizations-can-begin-to-implement-ai-solutions-for-maximum-impact/?utm_source=chatgpt.com) (accessed February 9, 2026)

<sup>26</sup> Pearl Health website <https://www.pearlhealth.com/technology> (accessed February 9, 2026)

Major electronic health record (EHR) companies, including Epic Systems and Oracle Health, also use various AI models on integrated data platforms (Figure 5). Going forward, the role of AI is expected to expand further, particularly in streamlining multidisciplinary care coordination and enabling more personalized care.

**Figure 5: IT Companies Supporting VBC Initiatives**

	Company	Customer base	Data infrastructure and platforms for VBC
IT companies with strong VBC capabilities	Innovaccer (investors include Kaiser Permanente)	Deployed at over 1,600 medical institutions, serving more than 96,000 clinicians	Supports data-driven decision-making by integrating over 54 million health records into the Healthcare Intelligence Cloud.
	Arcadia (under the umbrella of Nordic Capital)	Approximately 200 organizations, including medical institutions, insurers, government entities, and life science companies	Acquired the data platform company CareJourney in 2024. Arcadia manages data on approximately 300 million insurance beneficiaries and information on over 2 million healthcare providers.
	Persivia	Network of over 200 hospitals and 1,200 provider organizations	Covers approximately 20 million patients and has built an integrated data and AI platform using Persivia Data Cloud and Care Space.
	Pearl Health	Collaborates with 1,600 primary care providers in 43 states	Integrates partner data to support population health management and VBC performance.
	Inovalon (under the umbrella of Nordic Capital)	Adopted by the top 15 payers, the top 25 healthcare systems, and 13 of the top 15 pharmaceutical companies with over 50,000 active contracts	The Inovalon ONE Platform was built based on data from 1.1 million physicians, 710,000 clinical sites, and over 447 million patients.
Major Electronic Health Record (EHR) companies	Epic Systems	Holds the leading market share in the U.S. EHR market	The Care Management & VBC Module integrates and analyzes healthcare costs, utilization patterns, and risk indicators within the EHR to support performance evaluation of VBC contracts and categorization of patient populations.
	Oracle Health	Used by large health systems, academic medical centers, and government-affiliated healthcare organizations globally	Oracle Health Quality Management helps improve healthcare quality and maximize financial performance. Services within the Oracle Health Care Coordination Intelligence suite leverage AI to streamline workflows, summarize patient long-term records, and enhance patient outreach.

Source: Compiled by MGSSI based on company disclosures and publicly available sources

## 6. CONCLUSION

### 6-1. Challenges

Despite the growing adoption of VBC, some for-profit hospitals remain concerned about its potential impact on revenue. The complexity of VBC models, delays in the development of data infrastructure, and increased operational burdens at the provider level continue to hinder broader implementation. Structurally, when insured individuals change insurers (e.g., by changing jobs), the benefits of preventive investments by the previous insurer are not carried over, disrupting outcomes. Nevertheless, the underlying principle of preventing disease through comprehensive prevention and health management remains well aligned with patient-centered care.

### 6-2. Future Directions

In the long term, shifting from acute care-centered medicine to continuous care models that combine prevention, chronic disease management, and home care will improve patients' quality of life. The keys to success are:

- (1) Organization-wide sharing of the VBC philosophy (as at KP)
- (2) Mutual understanding among patients, payers, and providers
- (3) Development of data infrastructure
- (4) Expansion of preventive and personalized care
- (5) Collaboration with communities and regions
- (6) Steady advancement of team-based care

This will enhance the added value of healthcare services and create new markets. Promising business areas include 1) integrated payer-provider models, 2) integrated data and AI analytics, 3) patient data utilization, 4) prevention and wellness, 5) home care, 6) virtual care/telehealth, 7) senior care, and 8) remote rehabilitation and digital therapeutics. KP's expansion strategy reflects these trends, as seen in the establishment of Risant Health in 2023, with subsequent acquisitions of Geisinger and Cone Health to promote VBC models in new markets. (Figure 6)

**Figure 6: Business Areas with Growth Potential**

Business areas	Examples
1) Integrated payer-provider models	Kaiser Permanente / Risant Health
2) Integrated data and AI analytics	See Figure 5
3) Patient data utilization	Clario : Provides ePRO and patient data solutions for pharmaceutical companies (acquired by Thermo Fisher Scientific in October 2025)
4) Prevention and wellness	Instacart Health : Participates in Medicaid nutrition programs
5) Home care	DispatchHealth (merged with Medically Home in June 2025) : Provides hospital-at-home services for acute and high-acuity patients
6) Virtual care / Telehealth	Charlie Health : Provides online mental healthcare services
7) Senior care	InnovAge, Habitat Health : Provide Programs of All-Inclusive Care for the Elderly (PACE)
8) Remote rehabilitation and digital therapeutics	<ul style="list-style-type: none"> <li>• myHealthTrack : Provides remote rehabilitation services</li> <li>• Hinge Health : Provides remote physical therapy services</li> </ul>

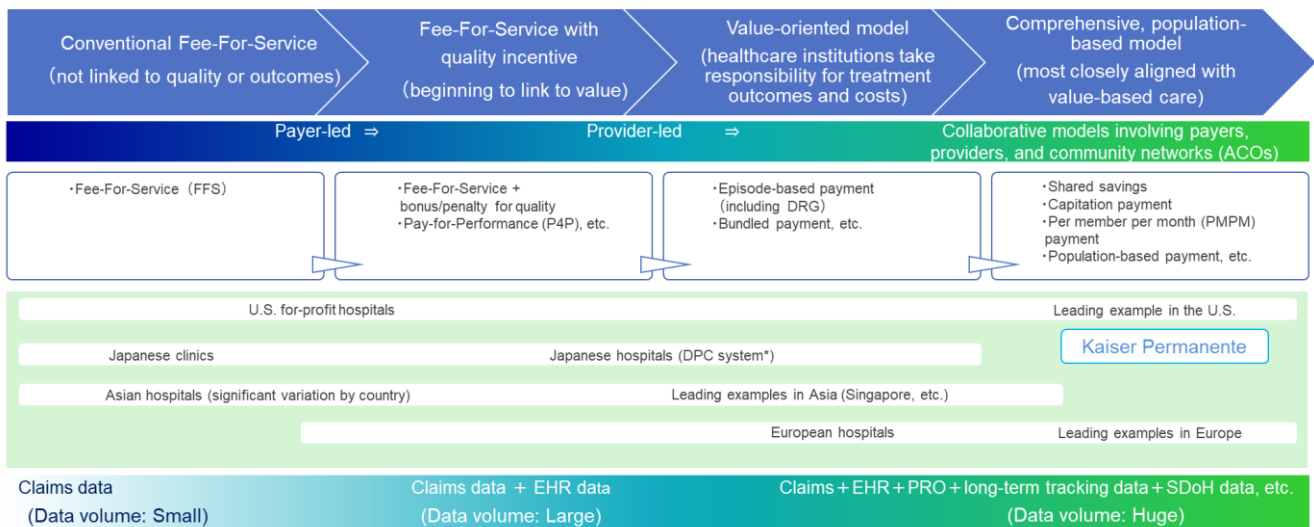
Source: Compiled by MGSSI based on publicly available sources

**6-3. Implications for Japan**

While Japan's system is very different from that of the US, partial initiatives are progressing, including bundled payment schemes for inpatient care under the Diagnosis Procedure Combination (DPC) system, programs for the prevention of severe disease progression, and community-based integrated care. However, data infrastructure development remains insufficient. Therefore, to implement VBC, close collaboration between payers and providers and the institutionalization of outcome-based payment systems are essential. Further deepening of community-based and team-based care, strengthening data infrastructure — including use of the My Number System<sup>27</sup> — and sustained policy discussions toward a financially sustainable healthcare system are required. (Figure 7)

<sup>27</sup> My Number System: Japan's national ID system used for social security, tax administration, and, increasingly, as a healthcare insurance card.

**Figure 7: Overview of Value-Based Care Models**



\*Japan's DPC model is a hybrid model combining Fee-For-Service and partial bundling.

Source: Compiled by MGSSI based on AMA report "Leveraging Technology and Value-Based Care, Case Study: Hattiesburg Clinic" (Research collaboration led by Manatt) and other publicly available sources

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