View this email in your browser

HSI Newsletter: November 2026

This month, our spotlight is on Senior Lecturer Adam C. Powell, PhD. In a forthcoming article, Powell, who co-teaches Healthcare Lab, argues that high U.S. health spending is not a directly fixable problem but rather is a byproduct of the healthcare system's structure and the economy built around it.

We'd also like to point you to two seminal research projects and papers that focus on different aspects of AI's effects in the workplace. Prof. Emeritus Tom Kochan led groundbreaking negotiations between Kaiser Permanente's union and management. Prof. Kate Kellogg co-leads the MIT Working Group on Generative AI & the Work of the Future. Recently, that team published a paper titled Humans in the Loop: The Evolution of Work in Early Experiments with Generative AI.

We have two seminars coming up. An HSI lunchtime seminar, and for the second, HSI is collaborating with MIT HEALS.

On Nov 23, Parisa Farzam, PhD, CEO & Co-Founder, Oxyverse will present: Incentives Eat Algorithms: The Hidden Economics of AI Adoption in Life Sciences. Specifically, she intends to take a close look at "the economics of adoption and the work-value gap: the misalignment between those who bear the cost and effort of adopting AI and those who capture the value it creates." Sign up on Sloan Groups

The final MIT HEALS Seminar Series event of the fall semester is on November 30. This time, The Innovation Frontier: Insiders' Stories features Neil Kumar, CEO and

for Financial Engineering. Learn more & register

As always, questions and suggestions are welcome at healthsystems@mit.edu.

NEWS

Why American Healthcare Is Built to Be Expensive



A new article by Adam C. Powell, Ph.D., a Senior Lecturer at MIT Sloan who co-teaches Healthcare Lab, argues that high U.S. health spending is not a directly fixable problem but rather is a byproduct of the structure of the healthcare system and the economy built around it.

For more than 50 years, American presidents have worried about the cost of healthcare. Every few years brings a new plan to reduce costs. None has stuck. In 2024, U.S. health spending grew 7.2% and reached 17.2% of the economy, compared with an average of 9.3% across other wealthy OECD countries.

The usual explanation is waste: inflated prices, unnecessary tests, and piles of paperwork. Those problems are real. But in "Structurally Expensive," forthcoming in Seminars in Roentgenology, Powell argues they are not the whole story. Much of what drives spending, he writes, is built into the system and has not yielded to the cost-cutting tools tried so far.

A service you can't automate

Start with what economists call Baumol's cost disease. Baumol's theory holds that

wages, whereas sectors that rely on human judgment, such as healthcare and education, cannot achieve the same productivity gains. For example, a factory can make more cars per worker every year. A doctor examining a patient or a nurse at the bedside can't speed up nearly as much, because the work moves at the pace of human judgment. Yet hospitals still have to pay those workers enough to keep them from choosing software, finance, or engineering instead. So healthcare gets steadily more expensive relative to everything else, even when it is run well.

Better tools, more work

In most industries, new technology cuts costs by replacing labor. In healthcare, new technology more often expands what's possible. Drawing on radiology, Powell notes that imaging studies once made up of tens of images now often contain hundreds, and some contain thousands. Scanning got faster; reading the results did not. Sharper images also turn up incidental findings that lead to more tests, more specialist visits, and more follow-up.

He expects artificial intelligence to follow the same pattern. AI is useful for triage, measurement, and quality control, but it is more likely to add services than to replace radiologists. Medicare already pays separately for some AI-assisted analyses, in addition to the payment for reading the scan.

A physician pipeline with a bottleneck

Becoming a U.S. physician takes four years of college, four years of medical school, and then residency. Three in four graduates carry student debt, with an average of about $200,000. Meanwhile, a 1997 federal law capped the number of residency positions Medicare funds, and that cap stayed essentially frozen for nearly 25 years. The U.S. now has 2.7 practicing physicians per 1,000 people, versus an OECD average of 3.9. Scarce supply means high pay.

Healthcare is the jobs program

Healthcare and social assistance is now the nation's largest employment sector, with about 24 million workers, and that sector is the top employer in 38 states. Cutting spending at scale means cutting paychecks and sometimes closing the biggest employer in town. Because every state gets two senators, most of the Senate represents places where healthcare anchors the local economy. The costs of cutting are concentrated and visible; the savings are spread thin.

about a tenth of spending growth between 1996 and 2013. A single-payer system could trim administrative costs and prices, but by Powell's reading of Congressional Budget Office estimates, even the most favorable scenario would cut national health spending by only about 11%. That, he argues, is not enough to close the gap with peer countries and leaves training, wages, and chronic disease untouched. Meanwhile, peer countries are also facing healthcare cost growth due to Baumol's cost disease.

His conclusion is realistic rather than fatalistic: America cannot make healthcare dramatically cheaper without changing what it does, whom it employs, and how it trains its professionals. The better path is local stewardship. That means cutting low-value tests, using price data to steer patients away from overpriced facilities, letting highly-trained clinicians focus on work only they can do, and judging new technology by whether it actually saves time. The gains are modest. But they are real and within reach.

Back to Top

NOTES

AI Research Focuses on Technology's Effect on the Workforce

Some of Prof. Emeritus Tom Kochan's current work focuses on the need for a new social contract in the workplace. One of his recent papers discusses in depth the successful negotiations at Kaiser Permanente. He is a co-author, along with Prof. Erin Kelly and Prof. Arrow Minster, of a July 2026 report titled Negotiating to Work in Partnership on AI: The 2025 Agreement Between Kaiser Permanente and the Alliance of Health Care Unions. You can read more about this work in Ideas Made to Matter: What employers can learn from Kaiser Permanente's AI labor deal and Sloan News: Negotiating to Work in Partnership on AI in Healthcare.

Prof. Kate Kellogg contributed to the report, Humans in the Loop: The Evolution of

You can read more about this work in Ideas Made to Matter: 10 levers for shaping generative AI that truly improves worker performance.

Back to Top

EVENTS

HSI Lunchtime Seminar

Incentives Eat Algorithms: The Hidden Economics of AI Adoption in Life Sciences

Presented by Parisa Farzam, PhD

Monday, Nov. 23, 2026, 11:30 AM – 1:30 PM EST
In person or on Zoom
E62-350, 100 Main Street, Cambridge, MA
Lunch will be provided in person. Email Lisa Maloney with any dietary concerns.

Registration on Sloan Groups.

AI models for healthcare and life sciences have never been stronger. They read scans, document clinical encounters, design molecules, and raise productivity. Yet most never make it into routine use. In this talk, we take a close look at the economics of adoption and the work-value gap: the misalignment between those who bear the cost and effort of adopting AI and those who capture the value it creates. We close with early examples of how health systems, payers, and life sciences companies have started to narrow it.

Parisa Farzam, PhD, is co-founder and CEO of Oxyverse, a platform for monitoring brain function in neurocritical care, and a Blavatnik Fellow at Harvard Business School. Previously, she led AI products in healthcare and life sciences at Bayer and IBM, taking them from development through launch and strategic partnerships. Across nearly two decades spanning clinical settings, Big Tech and pharma, she has

HEALS and HSI

The Innovation Frontier: Insiders' Stories

November 30, 2026

4 pm - 5:30 pm

Broad Institute Auditorium (415 Main Street)

Register here

This MIT HEALS Seminar features Neil Kumar, CEO and founder of BridgeBio Pharma, Inc., in conversation with Andrew Lo, the Charles E. and Susan T. Harris Professor at the MIT Sloan School of Management and the director of MIT's Lab for Financial Engineering. This session of The Innovation Frontier: Insiders' Stories is presented in collaboration with the MIT Sloan School of Management's Health Systems Initiative.

Back to Top

Copyright © 2026 MIT Sloan Health Systems Initiative, All rights reserved.

Want to change how you receive these emails?
You can update your preferences or unsubscribe from this list.

INTUIT mailchimp