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Health care contract management: Turning operational friction into strategic advantage

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The contract crisis hiding in plain sight

Health care payers and providers stand at an inflection point. According to a report from Grand View Research,[1] the global health care contract management software market is projected to grow at 22.8% from 2021 to 2028, reaching $4.59 billion. This reflects a fundamental shift in how organizations view contracting operations. The growth is a signal, not just statistics: Organizations are trying to turn contracting from a necessary nuisance into an operational advantage.

Contract lifecycle management (CLM) is no longer just back-office administration. It shapes payment accuracy, dispute volume, compliance posture, and the day-to-day working relationship between payers and providers. Yet, despite its strategic importance, many organizations still manage contracts through fragmented, manual processes that create downstream friction.

The gap between "what the contract says" and "what systems actually do" creates a vicious cycle: Misalignment leads to incorrect payments, triggering disputes that require rework, consuming capacity on both sides. The result? Longer payment timelines, higher administrative costs, strained relationships, and missed performance targets.

In most organizations, the "system" is really just document storage. Teams rely on workarounds—spreadsheets, email chains, institutional knowledge—to find terms, track versions, manage renewals, and answer operational questions. That fragmentation shows up as long cycle times, inconsistent information across functions, repeated rework during negotiations, and persistent scrambles to respond to audits.

Why modernizing matters now: In a landscape shaped by regulatory pressures, product innovation, and accelerating spend, efficient CLM has become a lever for growth, resilience, and improved business relationships. Organizations that delay modernization won't just fall behind; they'll compound friction at the moment the system can least afford it.

[1]Grand View Research, Healthcare Contract Management Software Market (2021–2028), September 2021.

Where the pain lives: A tale of two execution problems

Health care payers and providers exist in a symbiotic relationship. On the surface, a contract is signed and everyone assumes the work is done. Operational reality starts afterward.

Payers face complexity at scale. As products and reimbursement models multiply—value-based care, delegated risk, specialty carve-outs—the volume of negotiated terms, rates, and obligations grows exponentially. When those terms aren't captured as structured data, these symptoms may appear:

- Delays translating negotiated terms into claims configuration.
- Misalignment between prior authorization rules and contract language.
- Limited visibility into negotiated rates and exclusions across the network.
- Difficulty producing clean audit trails of versions, approvals, and renewals.

Providers feel the squeeze in their revenue cycle. Contract management limitations and upstream verification gaps can create inaccurate reimbursement expectations. The consequences:

- High volumes of payment variances require manual root-cause analysis.
- Frequent adjustments complicate bad-debt reserves and forecasting.
- Delays incorporating out-of-network negotiated rates due to limited history and inconsistent data capture.
- Comparing contract terms and performance across payers remains difficult, creating information gaps during negotiations.

Add frequent rate changes and carve-outs, and the work can start to feel upside down: More time spent explaining and rectifying yesterday's payments than improving tomorrow's terms.

The shared root cause: When contract metadata, templates, amendments, and obligations aren't managed in an integrated way, both sides become reactive. Renewals turn into calendar reminders. Compliance becomes a scramble. And "what does the contract say?" becomes a recurring operational ticket instead of a query answered in seconds.

The strategic shift: From document storage to execution engine

Every organization has a place where contracts go to rest. High-performing organizations have a place where contracts go to work.

Modern CLM capabilities turn contract information into business outcomes:

- Managing the cost of care
- Meeting performance measurements
- Accurately modeling and forecasting revenue

When CLM is modernized through automation, integration, and data-driven insights, organizations can focus on strengthening payer-provider partnerships and delivering meaningful value to members.

What mature operations look like

- **Terms become structured, query-able data.** Rather than being locked in PDFs, rates, exclusions, obligations, and key terms are captured as structured information that can be queried, compared, and reported without manual document review.
- **Information flows without manual translation.** Contract data moves into claims, billing, revenue cycle management modeling, and analytics systems through defined integrations, eliminating configuration lag and reducing error rates.
- **Monitoring happens in real time.** Organizations track payment accuracy, denial rates, obligation completion, and renewal timelines against contract specifications, allowing proactive management rather than reactive cleanup.

The goal isn't perfection. It's predictability. Modern CLM makes complexity manageable through automation, integration, and visibility.

Building the business case: Five value levers that matter

Modernizing contract management delivers measurable value across multiple dimensions.

1. **Operational efficiency that shows up in run costs**
   Standardized intake, templates, clause libraries, and role-based workflows reduce manual effort across authoring, negotiation, approvals, renewals, and downstream updates. When terms and metadata are captured in structured fields and routed consistently, teams can process more contracts without proportionally expanding administrative capacity. With artificial intelligence (AI) capabilities embedded in modern CLM platforms—and increasingly powerful large language models (LLMs)—contract execution becomes materially more sophisticated. Tools can pre-populate intake fields by extracting data from third-party documents and everyday sources such as emails and spreadsheets, enforce standardized playbooks and workflow automation, and deliver advanced analytics for performance and compliance monitoring. AI can also strengthen risk mitigation by assisting reviewers in flagging nonstandard terms, suggesting redlines aligned to policy, and recommending negotiation positions based on patterns observed across large volumes of historical contracts and related communications, subject to defined governance and human oversight. In effect, CLM evolves from managing static documents to actively implementing a contract's purpose and rules throughout the business.

2. **Error reduction that breaks the dispute loop**
   A common failure point is the gap between contract language and how rates, policies, and exclusions get configured in downstream systems. CLM-enabled traceability and structured term capture can reduce misinterpretation that drives claim rework, shrinking the costly cycle of re-adjudication, repeated touches, and mounting frustration on both sides.

3. **Risk mitigation and regulatory responsiveness**
   Standard templates, approved clause libraries, and defined deviation rationale make contract language consistent and easier to update when policy or regulations shift. Versioning and audit trails improve traceability of changes. Workflows that track obligations, milestones, and required artifacts strengthen responsiveness for Centers for Medicare & Medicaid Services (CMS) regulations and other health care compliance needs.

4. **Cash flow improvement on both sides**
   When contract terms translate cleanly into billing and claims systems, payment surprises decrease. Providers experience fewer underpayments and more predictable cash flow and financial planning. Payers see fewer claim adjustments, reduced late-payment penalties, and fewer disputes because more claims are paid per the contract on the first time.

5. **Negotiation leverage through performance visibility**
   When negotiated rates, payment structures, and exclusions are searchable and reportable, organizations compare contract families, spot outliers, and bring evidence into negotiations, such as yield trends by payer, service line, region, or provider type. With better visibility into obligations and performance measures, contracting becomes a practical mechanism for coordination, especially in value-based-care arrangements requiring clearer definitions and monitoring.

Your strategic roadmap: Six steps from friction to flow

Modernization works best when it respects reality: Tighten the fundamentals, add value, then scale what works.

Step 1: Baseline with brutal honesty
Get a factual picture of how contracting works today and where it breaks down. Inventory active contracts and agreements, storage locations, ownership, and actual cycle times from request to operational use. Pay attention to handoffs between teams, repeat questions, and common error patterns: mismatched rates, outdated language, missing documents, and unclear obligations. Capture where compliance work is manual and data handling varies by team.

Step 2: Pick your starting point strategically
Choose something painful enough to matter and small enough to move quickly. Prioritize contract types that generate the most rework, disputes, and frequent updates. Those that create downstream issues for pricing, claims, provider setup, or reporting. Define your first release as one contract type handled end to end, from intake through signature and enablement, and one high-volume post-signature event, like amendments or renewals. This complete slice proves the model without overextending.

Step 3: Build a business case in operational language
Translate the problem into measurable outcomes leaders recognize: fewer manual touchpoints, reduced payment errors, shorter time to claims readiness, clearer visibility into renewals and obligations, and stronger audit readiness. Focus on what improves for contracting, finance, compliance, and operations—not platform features. Create a clear line from investment to trackable outcomes.

Step 4: Design the operating model first
Before discussing technology, clarify decision rights and workflow. Set up cross-functional ownership across contracting, legal, compliance, finance, operations, and IT. Define who approves nonstandard language, rate exceptions, and last-minute changes. Standardize how requests are entered, what information is required up front, and which approvals occur at each stage. Design around real user roles so the process fits how teams actually operate.

Step 5: Enable with technology—in layers
Modernize in increments so the foundation is stable before adding advanced capabilities:

- **Start with CLM core:** Standardize intake, drafting, approvals, signature, and storage in one governed workflow.
- **Connect to downstream systems:** Link contract terms to pricing, claims configuration, and provider data without manual reentry.
- **Add analytics:** Make cycle time, bottlenecks, renewals, and obligations visible.
- **Layer in Generative AI (GenAI) where it fits:** Summarize agreements, extract terms, compare language, and flag anomalies—with guardrails and human review.

Step 6: Sustain as an operating discipline
Treat contracting as a living operation needing routine care. Monitor renewals, amendments, obligation tracking, and recurring exceptions. Build feedback loops after disputes, denials, or audit findings to identify root causes and update processes. As reimbursement approaches and policies evolve, keep the contracting playbook current so teams can adapt without starting over.

AI's practical promise: From 'ideation' to targeted use cases

According to Deloitte's 2026 US Health Care Outlook Survey, 49% of the health care organizations surveyed are still experimenting with GenAI and agentic AI, while 18% haven't adopted these technologies at all.[2] Most remain in the "ideation phase," but the practical applications in contracting are emerging.

While AI offers significant promise across the spectrum from ideation to targeted use cases, its outputs are not infallible. For higher-stakes applications such as contract review and policy monitoring, organizations should account for the risk of inaccuracy, bias, and incomplete context, and provide appropriate human review and oversight. This is particularly important where errors could lead to material legal, financial, or compliance consequences.

GenAI makes contract and policy content easier to review, compare, monitor, and retrieve, especially when volume and variation are the challenges. Here's where it is delivering value today:

- **Automated contract review:** GenAI-enabled solutions could enhance efficiency and reduce manual effort in contract review by generating concise summaries, reviewing clauses against predefined guidelines, and highlighting any favorable, unfavorable, or inconsistent terms.
- **Comparative analysis:** Rather than analyzing contracts individually, GenAI can compare "families" of similar agreements, surfacing outlier language, unusual requirements, or rate inconsistencies that drive rework. This is an emerging use case to spot risky clauses or deviations worth addressing in future negotiations.
- **Policy changes monitoring:** When policy updates are frequent and distributed across many payers, GenAI can generate targeted "what changed and why it matters" summaries for teams configuring systems, managing authorizations, and working on denials.
- **Contextual search:** GenAI-powered search allows teams to quickly find relevant contract terms, precedent language, and negotiation history. In structured, centralized repositories, these searches do more than retrieve documents; they reveal how language drives claim edits, directory accuracy, and operational workflows, reducing guesswork about downstream impact.

[2]Alicia Janisch, Wendy Gerhardt, and Maulesh Shukla, 2026 US Health Care Outlook, Deloitte, December 11, 2025.

The path forward: Start small, think big

Inefficient contracting drags down performance and inflates costs for both payers and providers. Modern CLM turns contract terms into executable operations, reducing friction, improving accuracy, and enhancing responsiveness.

The organizations that are making progress often start before conditions are perfect. They're starting with an honest diagnostic, picking a meaningful scope, and building toward a contracting operation that supports rather than constrains their strategy. Here's where to focus:

Build for scalability, not just speed. The compelling business case isn't doing contracting faster—it's handling growing volume and complexity without proportionally adding headcount. OpEx reduction comes from creating a foundation that scales: Standardized workflows, structured data, and integrated systems that let teams do more with what they have. This isn't about short-term efficiency gains; it's about building sustainable operations that support growth.

Transform relationships, not just processes. For too long, payer-provider contracting has meant sitting on opposite sides of the table in a zero-sum negotiation. Modern CLM creates an opportunity to shift that dynamic. When both sides have shared visibility into terms, obligations, and performance, payers and providers can spend less time on administrative tasks and more time focusing on managing health care costs and performing proactive interventions that can actually improve patient outcomes. Value-based care already creates natural incentive alignment, and better contracting operations make it executable.

Treat it as process and technology. Organizations that succeed treat this as both a technology and an operating model effort. They do both together: Redesigning workflows and governance while supporting the change with the right systems. Neither alone delivers lasting results. The combination creates sustainable change that sticks when leadership attention moves elsewhere.

The opportunity isn't just better contracting. It's using contracting as a lever to control health care costs, strengthen partnerships, and build the operational resilience the market demands, positioning organizations not just for today's challenges, but for the regulatory shifts and market complexity ahead.

Why Deloitte

Deloitte brings multidisciplinary experience and a connected, scalable approach fueled by hundreds of real-world transformations, cross-industry insights, and practical accelerators. As regulatory demands intensify and market structures evolve, now is the strategic moment to modernize your CLM foundation and position your organization for sustainable success.

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