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Perspective:

Delaware's Vision for Responsible Innovation in Health Care

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I have the great privilege of leading the Delaware Department of Health and Social Services, a state agency that provides health insurance and health care services to hundreds of thousands of Delawareans, while supporting clinicians and driving innovation in the First State. I am proud of the work we do, but also mindful of the tremendous challenges our health care system faces. Delaware's per capita health care spending is among the highest in the country,[1] and these costs place enormous burdens on our state budget, our businesses and employers, and Delaware families that struggle to afford needed care. At the same time, we face a major upheaval of the relationship between the federal government and states, as federal policy changes are poised to cause 14 million Americans nationwide to lose their health insurance.[2]

That's why, under Governor Meyer's leadership, the Delaware Department of Health and Social Services is committed to using every tool at our disposal to address these challenges: making health care more affordable and ensuring equitable access to quality insurance coverage for as many of our neighbors as we can. As we embark on that journey, there are important opportunities for emerging technology and artificial intelligence to be a part of the formula for success. But there is no guarantee that AI will reduce, rather than increase, health care costs, and there is significant work to be done to ensure that this technology benefits us all.

Lowering the Cost of Health Care

Health care in Delaware is expensive, for the same reasons it is expensive nationwide: rising prescription drug costs, consolidated provider markets leading to high and rising prices, underinvestment in primary care and prevention, costly new technologies, and an aging population placing increasing demands on the system.

Fundamentally, health care is a labor-intensive service that faces its own version of a "cost disease" problem.[3] While capital-intensive sectors have experienced decades of rapid productivity growth, knowledge-based services such as health care and education have seen slower gains. Health care delivery certainly evolves to incorporate new technology, but there is a labor-intensive aspect of the work that has not historically seen increased productivity in ways that match the broader economy. This structural dynamic drives up costs. Artificial intelligence places us on the cusp of another opportunity for rapid, economy-wide productivity growth. The key question is how to ensure that productivity growth reaches health care in ways that lower costs, rather than increase them by accelerating cost disease impacts.

The early signals are not uniformly promising. Many current uses of AI in health care increase costs rather than reduce them. Consider a tool like AI scribes, which listen to conversations between clinicians and patients and transcribe relevant information into electronic health records. Conceptually, this kind of technology has the potential to make health care delivery more efficient and ultimately lower costs – but that's not what seems to be happening in practice. Early evidence indicates that the tools seem to save time and may increase physician satisfaction,

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but they are largely used as a way to *increase* total health care costs by ensuring clinicians bill insurance companies in the most intensive way possible.[4,5] At the same time, insurers are deploying their own AI systems to analyze care delivery and deny payment for those same services. In effect, AIs are increasingly being deployed to fight one another, even as the underlying delivery of care, the human interaction between clinician and patient, remains fundamentally unchanged. In other uses, new AI-enabled tools are layered onto existing technologies, adding expense without changing underlying care delivery models. As we have seen over and over again, it is simply not automatic that new technology lowers health care costs.

As a state and as a payer for health care services, Delaware must be laser-focused on *creating market conditions that push innovation toward lowering costs*. We need to think about redesigning the way we buy health care services, so that hospitals and clinicians are demanding new technology (AI or otherwise) that lets them lower the input costs of making their patients healthy – not new technology that lets them bill insurers at a higher rate.

In Delaware, that requires moving rapidly toward deeper and more significant penetration of value-based care. Our hospitals and other health care providers must take on more downside risk and increased accountability for the total cost of care, so that hospitals thrive financially when patient care uses fewer financial resources, not more. We must structure our payments to health care systems so that their financial incentives match our statewide goals: the best possible health outcomes delivered at the lowest possible costs.

Done right, these market conditions should create demand for new technology tools that genuinely lower costs. New technology could improve population health with predictive tools that identify high-risk patients earlier, remote monitoring and telehealth models that reduce emergency department utilization, and other efforts that keep patients healthier without the use of high cost health care resources. Our payment structures must also reward the use of technology that makes it structurally more efficient and less expensive to deliver high cost interventions when they are necessary.

Government won't invent the tools that achieve these goals, but we will shape the markets to demand technology move in this direction.

Improving Social Service Delivery

Another area where we can partner with technology innovators to achieve shared goals is improving the way low-income families enroll in and renew eligibility for federal benefit programs like Medicaid. Enrolling and renewing benefit eligibility has long been a labor-intensive process,[6] placing significant administrative burdens on families that navigate the process and state employees that adjudicate applications. Unfortunately, in recent months the situation has gotten worse: last summer, the federal government made major changes to safety-net programs that shifted significant administrative burden onto low-income families and state agencies.

In Medicaid, many beneficiaries will soon be required to demonstrate eligibility twice as frequently (every six months rather than once a year) and will newly need to affirmatively prove that they are either working or satisfy other criteria.

These requirements are deeply misguided. Experience from other states shows nearly 95% of people subject to these requirements meet eligibility criteria, yet a quarter or more lose coverage

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because of paperwork failures rather than ineligibility.[7,8] That means that by far the biggest effect of these requirements will be depriving eligible people benefits that they should be receiving under the law. For families living at or near the poverty line, repeated documentation requirements are unreasonable and inhumane. For state agencies, they create unprecedented operational strain.

In the face of this new reality, Delaware must automate the eligibility process to the greatest extent possible. AI tools can support this work by helping staff extract better information from documents provided by beneficiaries and systems accessed electronically, supporting interviews so workers can ask better questions and get more complete information, and transforming medical diagnosis data from claims into formats that support eligibility exemptions. At the same time, we must be extremely careful that an AI mistake is never the reason that a Delawarean loses access to care.

This is a tremendous amount of work, and much of it involves tasks AI tools can generally do well. The good news is that AI innovators are working hard to develop products to meet that need, and the substance of that innovation is exciting. The way it is happening is equally important.

Entrepreneurs across the country are developing tools designed specifically to support state social services capacity. These tools are modular, sometimes open source, and developed in direct partnership with beneficiaries and frontline state workers. This model stands in contrast to traditional government technology projects characterized by giant contracts, giant systems, little flexibility, and long timelines.

The speed of AI development is creating conditions for a broader culture shift in government technology. Agencies can move more quickly and test solutions in response to real needs. This shift is not just about AI itself, but about changing how technology is built and deployed in public service.

I want to be clear: enthusiasm for new tools that can support our heightened eligibility determination challenges does not diminish the human impact of federal policy changes. Losing health coverage is heartbreaking. The Meyer Administration will run as fast as possible, using every available tool, to mitigate harms and support families.

Innovating in Delaware

AI is a strategic enabler, not a silver bullet.

Delaware's health strategy is part of a broader statewide approach to artificial intelligence. The state's AI Sandbox initiative is intended to create a controlled regulatory environment that allows entities to safely pilot AI solutions.[9] Workforce development is another cornerstone. Delaware is the first state to partner with OpenAI on a certification program designed to build AI fluency among students, teachers, and workers. The goal is to prepare the workforce for an AI-driven future and help mitigate job loss concerns through skill development.

Health care sits at the center of this effort. Clinicians, administrators, and public health professionals must understand how AI tools work, where they add value, and how to use them responsibly. Building human capacity is essential to realizing technology's benefits.

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For Delaware, success depends on responsible innovation, aligned incentives, and strong partnerships across government, health systems, industry, and communities. Getting this moment right matters for the well-being of every Delawarean today and for generations to come.

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