

# Embedded Finance Vertical Snapshot: US Healthcare Providers

(Payments to payers not a focus)

## General Commentary & Highlights

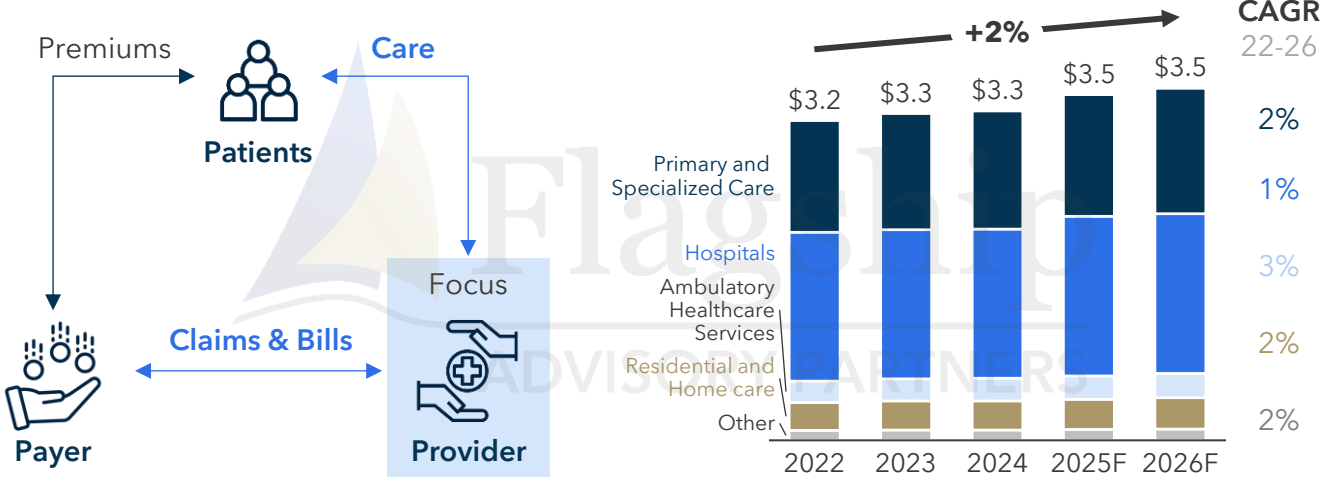
- **Sizable embedded payments market:** The vertical is associated with a large and stable card payments volume pool with potential growth. For example, card acceptance has become order qualifying for healthcare software, but most patients still pay in other ways.
- **High software usage:** The healthcare sector is undergoing continued digitization, with approximately 85% of medical providers now using practice management solutions.
- **Moderate embedded lending upside potential:** The vertical offers the potential for business and consumer lending, buoyed by provider profitability constraints and an increasing cost of care.
- **Fragmented, but consolidating software market:** The provider landscape is consolidating, led by acquisitions from hospital systems, private equity, and large tech companies (e.g., Amazon).

## 1 Vertical Definition

Sub-Segment	Definition	Payment Flows
Primary and Specialized Care	Includes primary care doctors, dentists, optometrists and specialists (e.g., chiropractors)	<b>Patient to Provider:</b> <ul style="list-style-type: none"><li>• Copay</li><li>• Out-of-pocket (e.g., not covered by insurance)</li></ul> <b>Payer to Provider:</b> <ul style="list-style-type: none"><li>• Reimbursement</li></ul> <b>Provider to Patient:</b> <ul style="list-style-type: none"><li>• Refunds</li></ul>
Hospitals	Includes general hospital and specialty (e.g., psychiatric hospitals)	
Ambulatory and Emergency	Includes all ambulatory and emergency services	
Residential and Home Care	Includes home care providers and long-term facilities (e.g., nursing care)	
Other	Includes mental and behavioral health, reproductive and family planning, etc.	

Sources: Flagship Advisory Partners

## 2 Vertical Spend - US Healthcare Providers Revenue (trillions of USD, 2022-2026)



Note: F means forecasted revenue

Sources: Flagship Advisory Partners, IBIS World

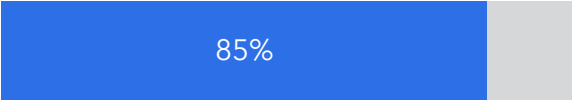
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Vertical Dynamics  
(all sub-segments)

Practice Management Penetration  
(% of count of software)

Vended      Unvended



Tender Mix (Vended)

(Directional, % of payment volume)

Credit      Debit      ACH & Check      Other



Note: Excluding insurance payments  
Sources: Office of the National Coordinator for Health Information Technology, Flagship market observations

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Software Landscape - Practice Management / Billing / EHR

Established Competitors

Hospital Management	Full-Service Practice Management	Medical Billing and RCM	Sub-Vertical Specific Solutions

- Healthcare providers often use multiple software products, creating competition for embedded payments and finance.
- Practice mgmt. and billing modules are the most common payment integration points.
- Practice mgmt. solutions are increasingly expanding into other SW adjacencies (e.g., EHR).
- Sub-verticals (e.g., dentists, veterinarians, etc.) have specialized SW needs and vendors.

Sources: Flagship Advisory Partners

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Embedded Finance Monetization Maturity in the U.S.

Relevant Fintech Products				Maturity	
Acceptance	e/m-commerce	✓	🕒	Consumer Financing	✓ 🕒
	POS	✓	🕒	Business Lending	✓ 🕒
	E-Billing + bill pay	✓	🕒	Business Accounts	✓ 🕒
	Payment from insurance	✓	🕒	Digital Wallet	✗ 🕒
Payout	AP (A2A + virtual card)	✓	🕒	Foreign Exchange (FX)	✗ 🕒
	Spend Mgmt. (card)	✓	🕒	Payroll	✗ 🕒
	Spend Mgmt. (A2A)	✓	🕒	Insurance	✗ 🕒
	Global	✗	🕒	Loyalty	✗ 🕒

Note: "POS" means point-of-sale, "AP" means automated payouts, "A2A" means account-to-account.  
Sources: Flagship Advisory Partners

Embedded Fintech Highlights

- Most payments are made via **insurance**, which is more challenging for SaaS to monetize, there remains **high volumes of ACH/check**, but card acceptance and usage is growing rapidly.
- **Embedded e-billing, POS payments, and consumer financing** are the **most mature** embedded fintech products. Consumer financing is often offered for large patient payments.
- We also see potential growth in **embedded pay-outs** (in various forms) and **business financing**.

# NAVIGATING FINTECH INNOVATION

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