

SPECIALTY PRACTICE SOLUTIONS

# Can AI Outsmart Rising Specialty Costs?

Exploring new ways to reduce financial burdens

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Specialty drug costs remain on the rise, while complex courses of treatment, ever-changing payer rules and other factors continue to shrink profit margins for specialty practices. Could machine learning and artificial intelligence (AI) equip practices with the tools to drive real results?



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## High costs and high stakes in specialty health

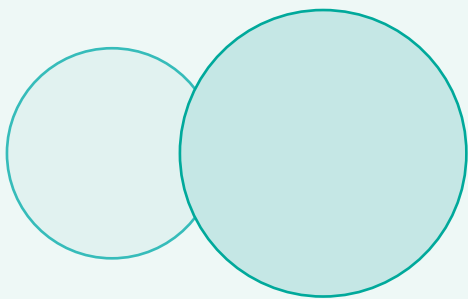
From the earliest specialty drugs introduced in the 1970s<sup>1</sup> to the more than 3,500 treatments classified as specialty therapies today,<sup>2</sup> the already high costs of these drugs have continued to climb.

U.S. drug prices for newly launched drugs in 2023 were 35% higher than 2022, fueled by expensive treatments for muscular dystrophy, sickle cell disease, hemophilia A and other rare, complex or chronic diseases.<sup>3</sup> Existing specialty drugs saw price hikes from year to year as well. In fact, in one extreme example, the wholesale acquisition cost (WAC) of a particular drug targeting chronic lymphocytic leukemia rose by 653.7% between July 2022 and June 2023.<sup>4</sup>

In addition to the rising costs of the drugs themselves, specialty practices face a changing reimbursement landscape that has shifted from a fee-for-service

structure to a growing emphasis on value-based care models. The administrative burden has also grown significantly over the past decade, due in large part to complex prior authorization restrictions. General inflation is also a consideration, affecting everything from temperature-controlled drug storage costs to staff salaries.

While these and other financial realities may be beyond the control of individual practices, the ever-higher stakes make it all the more critical to reduce the burden for providers and patients in other ways. Machine learning and AI could be the key.





In order to appreciate the potential value of AI to specialty practices, it helps to understand the especially complex circumstances under which they operate. Financial challenges for specialty practices include:

### Managing inventory for high-cost drugs

In addition to their typical high price tags, which can reach into the millions for a one-time dose of certain therapies,<sup>5</sup> specialty medications are also among the most expensive drugs to store and manage. These drugs may have especially short shelf lives and strict storage requirements, which may involve ultra-low temperature storage protocols. Responsible inventory management requires keen visibility into patient needs as well as the financial impact of holding excess stock to help prevent waste, control carrying costs, and ensure that the right drugs are available at the right times for patients who need them.

### Orchestrating and administering complex courses of treatment

Treatment cycles for specialty medications may require multiple infusions or injections over a span of days, weeks or months. They must also generally be administered and monitored by specially trained staff members. Oncology is a perfect example of how both cost and complexity can be amplified within the specialty arena. While general physicians may have a relatively limited number of therapies to prescribe for a given condition, oncologists have hundreds of drugs and seemingly endless combinations to navigate. Not only are providers typically treating a tumor — they're also ordering diagnostic imaging and laboratory tests, conducting surgery, overseeing radiation and chemotherapy treatments, and combating side effects like anemia or nausea. This clinical and operational complexity tends to introduce ambiguity into billing and reimbursement processes.

### Cracking the code for payer reimbursement

Payer restrictions around reimbursement for specialty drugs can be especially intricate, often involving prior authorization, multiple layers of approvals and potential denials if all criteria are not met. Specialty practices must order specific combinations of therapies and ensure that clinical codes are aligned with payer requirements to meet reimbursement guidelines. For the average medical practice dealing with 20 or more payers,<sup>6</sup> each with its own policies, the administrative burden is significant.

### Absorbing the costs of serving a limited patient population

Unlike health systems or general physician groups, specialty practices typically treat a small patient pool in which the average drug cost is more than 10 times greater than that of non-specialty medications.<sup>7</sup> This level of specialization, while advantageous to patients, also limits the practice's ability to spread fixed costs across a larger, more medically diverse patient base. Additionally, roughly 80% of patients in need of specialty medication seek financial assistance,<sup>8</sup> underscoring a hurdle that may further strain administrative staff as they try to connect patients with assistance programs.



A combination of proven technologies, machine learning algorithms and emerging AI capabilities can be a powerful tool for



### Allocating staff efficiently and appropriately

AI can analyze patient appointment schedules and workload distribution to hone staffing efficiencies, eliminating unnecessary labor costs while ensuring quality care — and perhaps guarding against employee burnout.

### Tapping into AI benefits through pharmacy relationships

Even if a specialty practice doesn't employ AI technologies of its own, beneficial collaborations with specialty pharmacies that do use AI can open up new cost-saving avenues. Specialty pharmacies with AI integrations may be able to offer medication adherence programs for patients, more affordable alternatives for certain drugs, and streamlined prior authorization processes — an especially critical benefit for infusion centers.

### Troubleshooting claims before submission to help prevent AI-driven payer denials

Since patient payments generally make up only a small portion of practice revenues, specialty groups are wise to focus on ways to streamline processes and maximize reimbursements from payers, and to







