

Anthem, Humana drop \$140M to launch a next-generation pharmacy benefit management platform

Article

The news: Major insurers **Anthem** and **Humana** are teaming up with software solutions company **SS&C** to create a new pharmacy benefits management (PBM) platform, dubbed **DomaniRx**.

- Together, Anthem and Humana poured **\$138.3 million** into the joint venture—which gives them a 20% minority stake in DomaniRx (SS&C holds the remaining interest).

Here's how it works: The platform will offer its payer and provider users with data analytics and end-to-end transparency around drug costs—features that will help them better comply with the changing PBM regulatory environment.

- The JV will lean on SS&C to develop a plug-and-play cloud-based claims adjudication platform, which will streamline payers' user experience and make processing claims more efficient and less costly.

Zooming out on the landscape The PBM market has long been ruled by the “Big Three” PBMs: **UnitedHealth Group's OptumRx**, **Cigna's Express Scripts**, and **CVS Health's Caremark**—which control 80% of the PBM market.

Both Anthem and Humana have launched their own in-house PBMs, but they haven't gained much traction.

- Anthem has had a messy past with Express Scripts: It sold its own PBM to Express Scripts in 2009, and signed a 10-year contract with the PBM giant. But in 2016, it sued Express Scripts for **\$15 billion** for withholding savings and overcharging the insurer.
- Joining DomaniRx could work in their favor since it combines SS&C's technical capabilities with Anthem and Humana's brand power, which could make a powerful case for a disruptive PBM.

Why it's worth watching: Digital therapeutics (DTx) are making their way into PBMs' formularies, which helps them land a place in payers' benefits packages.

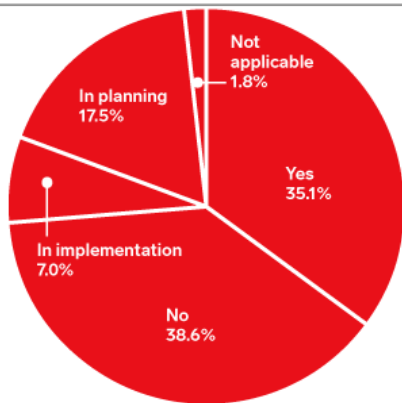
- PBMs have the buying power to negotiate pricing with pharma manufacturers and then pass on those cost-savings to the payer. They also have drug formularies, which let payers customize options for optimal value when offering plans to patients.
- For example, in October 2020, **Evernorth** (parent company of PBM giant Express Scripts) expanded its digital health formulary to include 22 digital therapies for mental health,

smoking cessation, musculoskeletal pain management, etc.

DTx vendors should strike deals with tech-driven PBM startups like DomaniRx that tout transparency since that could set a more affordable entry point for consumers. DomaniRx’s pricing model is set up in a way where they earn revenue through set fees, which ensures that discounts from pharmacies actually get passed to their insurer. customers—and that would lower patients’ out-of-pocket costs for the DTx.

Insurance Organizations that Work with Digital Health Engagement Platforms* According to Life/Health Insurance Executives Worldwide, Oct 2020

% of respondents



Note: *to engage with/collect data from their insured members
Source: Dacadoo, "Global Market Report on the Integrated Insurance Operator," Nov 18, 2020