APR 16
Erum Ahmed

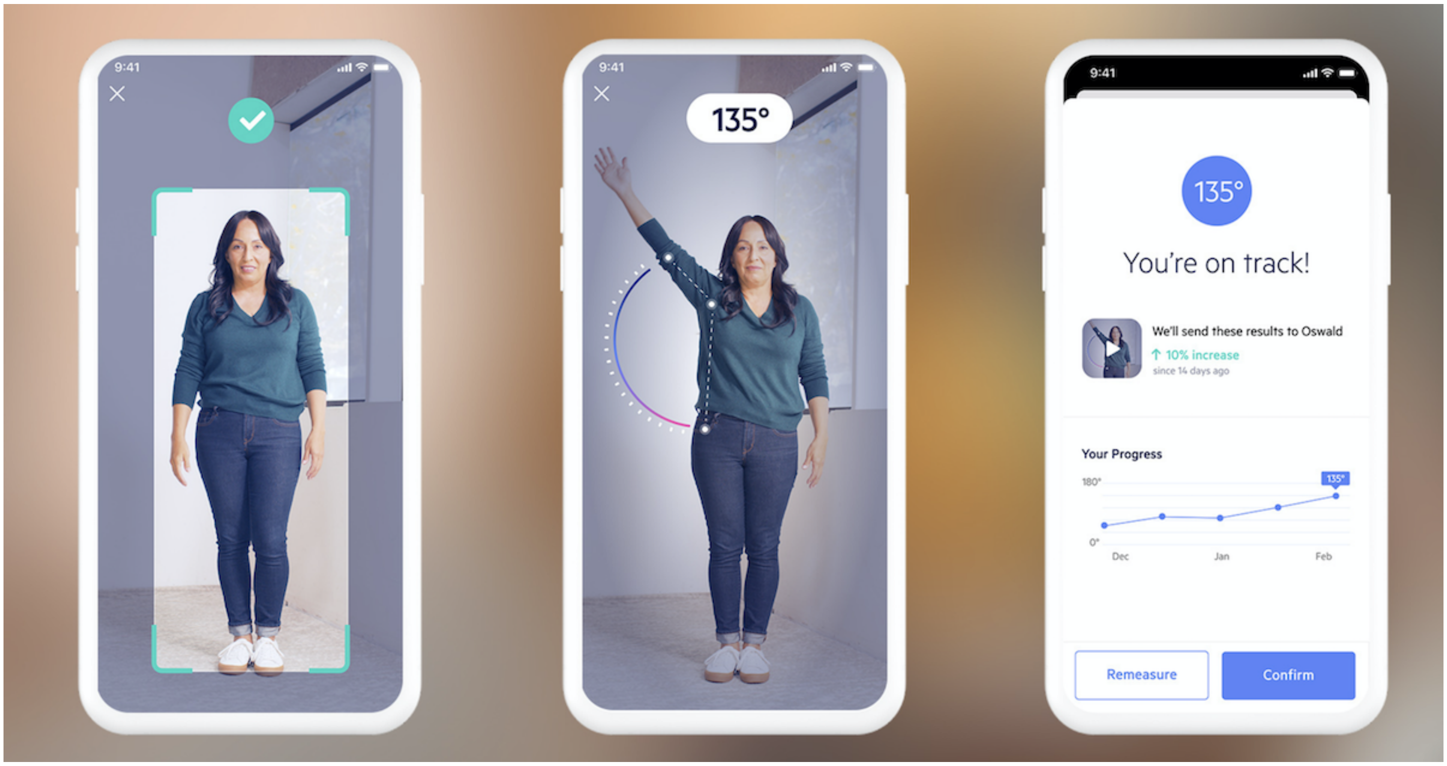
Here's why digital therapy startups should explore D2C models

Article

Digital therapeutics (DTx) company **Omada Health** launched a new musculoskeletal (MSK) tool that uses computer vision tech to help physical therapists virtually measure a patient's movement and range of motion, which is typically done in-person. The new offering will be incorporated into Omada's current MSK offerings, which includes Physera, an app-based physical therapy consultation platform it acquired last May for **$30 million**.

Omada's Musculoskeletal Interface

Source: Omada



MSK pain management accounts for a huge portion of US medical costs—and we've seen employers and commercial insurers start incorporating DTx into their benefits packages to get a handle on this spending.

- **US employers collectively spend over $20 billion annually on addressing employees' MSK conditions,** according to Optum. That means employers are dedicating **17%** of their health budgets to MSK conditions alone, most of which is spent on medications to treat chronic MSK pain.
- **Payers like Cigna and BCBS Massachusetts are already offering members access to DTx tools that help them cut back on $130 billion in annual chronic pain spending.** For example, In October, Cigna incorporated Omada's MSK Physera into its digital health formulary; and in 2019, BCBS Massachusetts paired up with **Hinge Health**.
- **Employer-DTx tie-ups should be attractive then, since DTx provide clinically validated alternatives to costly chronic pain meds.** For example, last year, a study from DTx firm **Kaia Health** revealed its employer partners saw a 62% incremental reduction in annual claims cost

after using its app-based MSK therapy for 9 months, driven by a 39% reduction in the number of MSK claims.

However, many DTx companies could be missing out on another massive revenue channel: direct-to-consumer (D2C).

- **Most DTx companies get their tools to patients via employers and insurers, but there's a massive population of people in the US who are uninsured they lose access to.** For example, virtual chronic pain treatment startups like **Kaia Health**, **Hinge Health**, and **Sword Health** are only available to individuals under certain employers or insurers. Over 30 million US individuals are uninsured and more than **20 million** people suffer from chronic pain—so, there's a substantial number of uninsured individuals who likely can't try out MSK digital therapies from leading DTx startups.
- **Digital health startups like Ro and Hims & Hers have seen significant membership growth going straight to the consumer and bypassing the need for insurance.** For example, **Hims & Hers** offers patients rapid mail-order prescriptions and virtual primary care visits at an affordable cost—sidestepping the need for insurance coverage—and its approach has paid off: It reported **$41.5 million** in Q4 2020 revenue, marking a **67%** year-over-year (YoY) jump from Q4 2019.