

Opportunity

BN000047898 - Pharmaceutical Drug Rebate Aggregator with Disruptive Claim Processing

Automation Software

Location: Nationwide



Bids Invited

Innovative pharmaceutical rebate aggregator experiencing rapid revenue and profitability growth by leveraging its proprietary software platform to automate prescription drug rebate processing with minimal headcount in a \$18.47 billion market.

Key Aspects

- Proprietary software platform developed to automate prescription drug rebate processing, replicating the work of entire departments at other companies.
- Decades of pharmaceutical industry & Pharmacy Benefit Manager (PBM) knowledge have been incorporated into the development of the company's internally created software that renders the industry's antiquated processes obsolete.
- Established software is already 18-24 months ahead of competitors with additional modules and features in development to lengthen their market lead.
- Initial launch of the company's fully integrated and automated software platform in November 2022 accelerated the company's growth trajectory and made the business a truly scalable enterprise.
 - Listed on Inc. Magazine's 5000 fastest-growing U.S. companies.
 - Participates within a rapidly growing total addressable domestic market estimated to be \$18.47 billion.
- Achieved remarkable growth and scale with less than a handful of employees.
- Able to win new business by educating clients to help maximize drug rebates by:
 - Analyzing claim stack for missed rebate opportunities.
 - Assisting in formulary formation.
 - Identifying & correcting missed/invalid rebate claims.
- The software is highly adaptable to various data formats and able to integrate with multiple PBMs to receive, synthesize, clean, and submit claim volume to generate the highest yield for each individual rebate claim.
- The number of claims processed quarterly has increased from 1,225,837 in Q1 2019 to 4,077,549 in Q1 2023, driving higher per claim rebates due to the increased aggregated claim volume.

Ownership Objectives

- The owners seek to diversify their personal holdings while bringing on a partner with proven experience building out corporate infrastructure around rapidly growing tech startups to help reach the full potential of the company & its software.
- The owner's preference is a full sale of the company but are open to retaining a level of equity post-acquisition in order to maximize value through the subsequent IPO/exit.

Performance

The company has been rapidly scaling both top-line revenue and overall profitability since the launch of its proprietary software platform in November 2022. Their gross profit is a percentage of the prescription drug rebates they secure for their customers.

(Cash Basis) Consolidated ⁽¹⁾	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	Q1 2024
Revenue	\$4,785,331	\$5,263,411	\$12,104,892	\$40,068,159	\$51,693,953	\$16,437,842
Gross Profit	1,245,639	1,311,016	2,580,442	10,756,539	14,811,835	3,592,313
Net Income	1,221,301	1,261,390	2,520,440	10,666,600	14,700,256	3,525,073
Adj. Net Income	\$1,021,301	\$1,061,390	\$2,220,440	\$10,274,100	\$14,200,256	\$3,402,198

- Similar to a M&A consolidation strategy for better pricing and discounts due to amplified volume, as the company continues to add and acquire new clients, they are able to negotiate larger rebates equating to more dollars in the customers' and company's bottom-line in a virtuous cycle.
- Achieved impressive growth without large capital expenditures or significant spending on operational expenses.
- Holds little to no risk with zero debt and has been profitable since its inception in 2016.

⁽¹⁾ The Company was notified that they had received over payments in 2022. Corresponding amounts were then withheld from 2023 payments. The above numbers portray revenue for each period as if this had not occurred.

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Opportunities

- Partner with a larger firm to show a stronger balance sheet to win clients. The company has lost multiple large, “whale-sized” opportunities where it beat other bidders on all aspects except for presenting a large enough balance sheet.
- Hire additional employees to capitalize on the software’s capability to identify and capitalize on missed, forgotten, and untouched rebate claims within the industry and PBM food chain.
- Hire marketing and sales staff to advertise the software to PBMs and increase rebate volume and percentage for current and new clients.
- Commit resources to enroll specialty pharmacies, a market segment currently overlooked by intermediaries. Specialty drugs yield the highest rebate amount per prescription and have risen to account for 55% of consumer spending. One fill can return a rebate as high as 100 retail fills.
- Disrupt and eliminate expensive legacy business models that utilize hundreds of employees to manually review, process, and submit millions of rebate claims annually.
- Integrate with existing larger companies to reduce labor costs associated with processing rebate claims.
- Explore licensing the company’s proprietary software. Multiple parties have already approached the company to do so.
- Identify and educate potential new clients on specific drug rebates. Resulting in higher rebate amounts for the clients and the company.
- Further develop software and relationships with clients by offering a POS feature to incorporate inventory and prescription management.
- Generate recurring revenue by monetizing PHI-free patient health data already being captured by the company’s software.
- Achieve the scale necessary to file claims directly to the drug manufacturers and thereby capture additional margin.

Please contact **Carine Severe** at Csevere@benchmarkintl.com or **(813) 898-2382** to pursue this opportunity.

Markets

- Market size in this industry is defined by the percentage of overall rebates paid by pharmaceutical manufacturers in the United States each year. These rebates flow through a waterfall of intermediaries, primarily PBMs, to the employer, health care plan, pharmacy, or similar end user. Although a full 2023 analysis has not been released, reports indicate that drug expenditures likely rose in the United States by 6% to 8% overall in 2023 from 2022. In 2022, the prescription expenditures were estimated to be \$633.5 billion before rebates of 27%, or \$171 billion. The intermediaries’ fees taken as rebates, amount to as much as 30% – 50%. This creates a potential market of \$85.5 billion for PBMs and other intermediaries. With the projected 8% increase the same figures would equate to \$684.1 billion, \$184.7 billion, and \$92.4 billion, respectively for 2023.
- The flow of rebates to larger end users in this market is controlled by three large PBMs. While they represent 80% of the market, they have collectively shown little or no interest in winning the remaining tens of thousands of accounts, leaving over \$18.47 billion of potential gross profit to the hundreds of intermediaries that compete and/or cooperate with the company.
- While the company’s solution would certainly be valuable to the higher end of the overall market and, management believes, is unmatched by any software used by those big three PBMs, focusing solely on the company’s existing market involving the smaller PBMs, self-insured employers, long term care facilities, and onsite/independent pharmacies as a stand-alone business constitutes an unprecedented opportunity for growth.

The company can accelerate its gains in market share by:

- Acquiring, partnering with (i.e., sitting above in the chain of rebates), or licensing its software to the many small PBMs that populate this under-softwared industry.
- More vigorously seeking out and contracting directly with a wider range of small to midsized PBMs or self-insured businesses that are not of size to attract the attention of the larger PBMs (i.e. end users).
- Moving beyond the company’s traditional vertical – health systems– into one or more of the three remaining pharma insurance verticals – specialty pharmacy, government-provided, and Medicare rebates.

Personnel & Location

- The current owners work remotely and meet in person on a quarterly or as-needed basis. The company has no physical building and can be operated from anywhere.
- The company currently operates with less than a handful of employees.

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