

Asembia 2023: Top Themes to Take Away from this Year's Specialty Pharmacy Summit

As the first week in May has once again quickly come and passed, nearly 8,000 attendees across the pharma services continuum crowded Las Vegas elevator banks to discuss the past, present, and future state of the industry. We had the pleasure of meeting with many exciting companies across the entire pharma services spectrum and patient journey, including HUB and patient access companies, data analytics providers, specialty pharmacies, technology innovators, as well as logistics and distribution companies. We also had the opportunity to meet with leading private equity firms who are invested in or are eager to put their investment theses to work behind new platforms in this vertical. While the specialty pharma pipeline is as robust as ever, medications are more complex and expensive, and the patient population continues to age with an increasing number of co-morbidities. Simultaneously, the barriers to getting therapies into the hands of patients and keeping them adherent to drive positive outcomes continue to persist. The evolving regulatory landscape only continues to add complexities to the ecosystem creating greater demand than ever before for all stakeholders to innovatively align around the patient and deliver effective solutions. The conference brimmed with eager sentiment as the race to the patient is evolving at a faster pace than ever before. As we consider these themes in greater detail, the following are a few key takeaways and implications for pharma services participants to consider:

Takeaways:

- **Measuring the Market—** despite the volatility and uncertainty in the macroeconomic environment, pharma services continue to be an area of focus for investors. The industry remains filled with attractive tailwinds and maintains a high degree of resiliency compared to the broader market. Tailwinds include an aging population, a strong pipeline of complex therapies coming to market, chronic illnesses becoming more prevalent, and the co-morbidities of such patients persisting. These dynamics drive increased market share of specialty therapeutics and, in turn, increase outsourced pharma services spending to drive attractive industry growth. As life sciences companies continue to increase their reliance on specialized outsourced pharma services and supportive technologies to successfully commercialize new products, investors continue to keep their eyes on pharma services as a sector ripe for investment. Although transaction volume is down and those hoping to come to market in 2023 are largely focusing on executing their pipeline to bide time as economic uncertainties linger, 2023 has still seen several exciting transactions unfold:
 - Elliot Management, Patient Square and Veritas Capital acquisition of Syneos Health
 - AmerisourceBergen acquisition of PharmaLex
 - Formation of Unlock Health via Amulet Capital and Athyrum Capital
 - Formation of Petauri Health by Oak Hill Capital
 - Formation of Atlas Clinical Research by BPOC
 - Apax Partners acquisition of Porsolt
 - Envision Pharma Group acquisition of OKRA.AI
- **The Race to the Patient: Point Solutions at the Point of Care—** emerging disruptors and tech-enabled point solutions are integrating at the site of care and meeting the patient where they are in the very hope of driving utilization and preventing patient leakage. From enrollment, prior authorization, electronic benefits verification, and beyond, innovative players continue to move up the value chain in an effort to capture the patient from the point of the script and eliminate constraints in speed to therapy. These companies have begun disintermediating the HUBs, accessing, and capturing patients more efficiently than traditional patient support businesses have. This year, there were several eyes on such companies who have chosen to actively challenge legacy systems, dated technology, and unautomated processes, and larger players will continue to track these companies closely as they scale.
 - **Speaking the Same Language: The Look to MedComms to Create a Common Thread in Commercial Strategy—** as the drug landscape grows increasingly complex and development more costly, the role of medical communications providers in driving a clear, concise communication strategy continues to play a greater role in successful commercialization. This new generation of drugs relies on scientific, and evidence-based communication strategies to effectively meet educational needs and build trust with healthcare stakeholders as they enter the marketplace. HUBs and pharma look to leverage the MedComm players with the greatest integration with HCPs, capturing scripts with education before the patient is in front of their provider.

- **(AI)ming for Innovation in Healthcare and Outsourced Pharma Services—** while AI was a buzzword in 2022, in 2023 its promise is becoming a reality. ChatGPT has quickly emerged with an answer to (almost) every question and is becoming an exciting (and scarily) intelligent tool in our daily lives. Similarly, the world of healthcare has only just begun to realize the potential for AI and its disruptive capabilities. Within pharma, AI is quickly finding its role across the value chain from more efficient drug discovery and development, more intelligent and adaptive supply chains, to dynamic patient and provider automated interactions, and increasingly precise marketing campaigns. Companies are progressively exploring both organic and inorganic ways to expand their technological capabilities to include AI to transform various forms of data into actionable insights that drive informed decision-making and improved outcomes.
- **Unlocking the Value in Value- and Outcome-Based Care—** as the stakes are higher than ever before for healthcare stakeholders to prove patients are receiving the right care, at the right time, with the right therapies, and at the right cost. Emerging implications of value-based care such as outcome-based contracting and indication-based management models are turning the pressure up on pharma. Manufacturers continue to leverage technology to demonstrate that their drugs can deliver meaningful outcomes to maximize reimbursement. As these themes in care delivery continue to mature, demand will further ripple into pharma services businesses to fill the need for data collaboration, real-time patient tracking, and transparent interoperability between various sources throughout the patient journey. Although successful execution of value-based care remains no easy feat, those who can effectively synthesize care and do the same on the back end to validate positive outcomes will successfully ensure optimal value to the patient and create a more connected healthcare system.
 - **Data Interoperability: The Missing Piece to a Seamless Patient Journey—** while the data, technology, and related services along the continuum of care are all largely in place, a huge component of their value is still left in their inability to integrate. As the patient handoffs are not currently well-connected, information exchange along the continuum of care is suboptimal, resulting in a challenging patient experience. In a world where the patient should not have to be resilient in order to progress through the phases of their care, emerging companies leveraging malleable technologies that drive coordination have the potential to be the game-changing glue in the patient journey.
- **The Best of Both Worlds: The Convergence of Specialty Pharmacy and Outsourced Pharma Services—** specialty pharmacies are continuing to add more services to meet patient needs and treat a person as opposed to a single disease. As focused specialty pharmacies improve their intake and patient support offerings, they have begun to compete directly with HUBs for rare and orphan launches, as well as other limited distribution therapies. The specialty pharmacy sits in a unique position to view the patient from a more holistic view and plays a very important role to the patient regarding education, access, and long-term therapy delivery. The convergence of pharma services and specialty pharmacy, supplemented by technology is a powerful one that can better solve gaps in patient access and care.
- **Time for Transformation Amidst the Evolving Role of the HUB—** though there is no shortage of interest in the value proposition that the HUB delivers, certain industry themes such as specialty drug growth, cost containment pressures, the shift to value-based care, and an emphasis on integrated patient-centric solutions, continue to push industry players to differentiate, scale and evolve. As legacy players either adapt or lose share, traditional HUBs continue to add tuck-ins, and innovative point solutions companies are emerging to fill gaps in the current HUB services offering bolstering competition. With these dynamics at play, such pharma services players are reaching a point of inflection. The playing field remains wide open for a transformative transaction for a player of scale to emerge as a leader with a service offering that creates seamless touchpoints across all stakeholders in the pharma services ecosystem. Although a transformative deal is no easy feat, at this peak point of inflection there is tremendous potential to disrupt a largely fragmented industry and fill in the age-old gaps.

Given these observations, we remain confident that the pharma services opportunity is more dynamic and of higher value than ever before. As pharma services companies seek to build a full-service leader of scale, private equity, and large strategic players are waiting on the sidelines eager to take stock in the vast upside potential. New entrants continue to bring exciting innovation to the industry with strong prospects for growth, traditional players continue to demonstrate their expertise and gain market share, while manufacturers continue to readily pursue disruptive solutions that are invaluable to successful development and commercialization strategies. As we look forward to the second half of 2023 and beyond, we expect to see continued integration of recent acquisitions by larger players and the maturation of exciting new companies sharpening their pencils for bigger, more transformative deals in the race to bring the pieces of the value chain together in effort to create a seamless patient journey.

Please don't hesitate to reach out if you would like to discuss any of these themes in greater detail either in-person or virtually. We would be happy to connect to find ways to strategize and work together as the industry emerges within this exciting point of inflection and opportunity.