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The pharmacy benefit management sector just might be set for a VC-backed shakeup, says Rightway CEO and cofounder Jordan Feldman

BY **ALLIE GARFINKLE**

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Rightway CEO and cofounder Jordan Feldman.

RIGHTWAY

You probably have no idea who your pharmacy benefits manager (PBM) is. But you almost definitely have one.

A pharmacy benefits manager is what it sounds like: PBMs manage prescription drug benefits, which involves coordinating across a laundry list of stakeholders—that includes health insurers, employers, pharmacies, customers, and more. Roughly **275 million** Americans have a PBM, more than 80% of the U.S. population.

Those basic facts in place, I don't know what I expected, but it wasn't this: In 2023, **about 80%** of all prescription drug claims in the U.S. were processed by only three companies. Those three companies are all attached to healthcare monoliths: Cigna's Express Scripts, UnitedHealth's OptumRx, and CVS Caremark. CVS made headlines earlier this week, as the giant is **reportedly** exploring a potentially sprawling breakup.

Jordan Feldman, CEO and cofounder of VC-backed PBM Rightway, believes the news could have downstream effects for millions. And he didn't mince words.

“CVS is a failed healthcare vertical integration,” he said via email. “Across the board, whether it be Medicare advantage or pharmacy benefits, they are ineffective. So all they can do at this point is try and extract maximum profitability on PBM, to try and appease shareholders. This will come at the expense of employers and employees.”

Then again, Feldman isn't a words-mincing-kinda-guy. He cofounded Rightway in 2017, expressly looking to reimagine the space. The PBM portion of Rightway's business was incubated with Thrive Capital in 2019, looking to build a serious competitor to the largest PBMs. Today, two million people have access to Rightway through their employers. Feldman says the timing is starting to look right for an industry shake-up.

“Pharmacy benefits has arrived,” he told *Fortune*. “It's come onto the radar. It's become a meaningful part of overall healthcare spend, and as we pull back the curtain on it, there are some enormous flaws, misaligned incentives, and challenges with the current ecosystem.”

Few topics generate as much heat as pricing in healthcare, and prescription drug prices are no exception—between 2006 and 2020, prices for hundreds of the most common prescriptions increased fast enough to outpace general inflation, according to an [AARP report from this year](#). In that time, pharmacy benefits have gained importance, growing from “a single-digit [and] small-percent of total healthcare spend, to 30% or 40% of healthcare spend in some cases,” said Feldman.

But it's not just about pricing. After years behind-the-scenes, concerns about concentration in the PBM space have grown increasingly public. And it's been quite the pile-on. This summer, the House Oversight Committee held a hearing on PBMs, with an investigation [concluding](#) that the largest PBMs “play an oversized role in the pharmaceutical supply chain and push deliberate pricing tactics to line their own pockets.” Almost simultaneously, four former Wells Fargo employees [sued the bank](#) for mishandling its employer-offered health insurance plan, with the lawsuit putting large PBMs right in the crosshairs. Then, in September, [the FTC sued](#) the three big PBMs, alleging “anticompetitive and unfair rebating practices.”

In all this, Feldman and Thrive partner Kareem Zaki believe we're in early innings of a shift in the industry—and, despite the few entrenched players, there's a chance to really make a difference in the marketplace.

“I think this is the first time it's actually happening to consumers,” said Zaki. “Consumers are frustrated when they show up and the drugs are expensive, and prices shouldn't be this high.”

Feldman and Zaki seem far from alone in this view. Rightway's other backers include Khosla Ventures and Tiger Global, and the company was valued at \$1.1 billion in 2021 (Rightway declined to disclose its latest valuation). Per Crunchbase, the company has raised about \$238 million to date. There are also a number of other venture-backed or tech-adjacent PBMs out there: SmithRx is backed by Founders Fund and Venrock, and there's [Mark Cuban's buzzy Cost Plus Drugs](#).

“When you see a market dominated by three people, that's too expensive, and that no one likes, it feels like there's something to go after,” said Zaki. “But in the same way that it's so dominant, big, and important, it's also not easy to disrupt something like that.”

The word “oligopoly” comes up when I talk to both Zaki and Feldman, and it's a term that both CVS and the Pharmaceutical Care Management Association naturally object to. The PCMA said via email that “the market is competitive and diverse, with more than 70 full-service PBMs of varying size operating across the country.”

“Anyone calling the PBM space an ‘oligopoly’ simply doesn't understand how pharmacy benefits work,” said CVS Caremark spokesperson Phillip Bland in a statement. “With so much

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competition,” he added, “CVS Caremark has to earn our clients’ trust every day based on the service and value we provide.”

Indeed, there are at least 70 U.S. PBMs operating, a point that Aon SVP and national pharmacy practice leader Tracy Spencer also made to me. I asked her if she thinks hopeful disruptors have a shot.

“I don’t think it’s a futile fight,” said Spencer. “Disruptors have driven change in this marketplace for as long as I’ve been doing this...These disruptive players do have the ability to change the environment... Oftentimes, the market has to see some proof points with these organizations before they’ll start to take off.”

Rightway’s corporate customers include Tyson, eBay, and Qualtrics. I spoke to one Rightway customer, a human, not a company. She’s had a good experience with Rightway so far, after switching from her previous Big Three provider nearly a year ago. She’d probably tell me “good experience” is an understatement.

“I know this sounds so goofy, but it’s changed my life as far as time goes,” she said, speaking on the condition of anonymity because we discussed her health. “I’m not having to do all this legwork for prescriptions anymore. That’s a big deal to me.”

It’s in Rightway’s interest to put me in touch with a happy customer, yes. But her enthusiasm was undeniable—as was her relief. Talking to her drove home a reality that transcends Rightway or any of the other PBMs: I’m very lucky that I don’t have to know my PBM. Many Americans have no choice, because they or their loved ones have a health condition that means they have no choice but to know. Perhaps this is a sector where venture can truly do what it does best—back the upstart.

And Feldman, in characteristic fashion, isn’t mincing words.

“It’s going to take a village to unseat an oligopoly,” he said. “And one of the things I take most pride and joy in is rallying a village.”

See you tomorrow,

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Nina Ajemian curated the deals section of today’s newsletter.

VENTURE DEALS

- **Submer**, a Barcelona-based immersion cooling developer, raised \$55.5 million in funding. **M&G** led the round and was joined by **Mundi Ventures** and existing investors **Planet First Partners** and **Norrskan VC**.

- **Voyage AI**, a Palo Alto-based embedding models for retrieval-augmented generation applications developer, raised \$20 million in Series A funding. **CRV** led the round and was joined by **Snowflake**, **Databricks**, **Pear VC**, existing investors **Wing VC** and **Conviction**, and others.

- **AirOps**, a San Francisco-based AI workflow platform for marketers, raised \$15.5 million in Series A funding. **Unusual VC** led the round and was joined by **Wing VC**, **Founder Collective**, **XFund**, and others.

- **Valdera**, a San Francisco-based AI sourcing platform for chemicals and raw materials, raised \$15 million in Series A funding. **Index Ventures** led the round and was joined by existing investors **Susa Ventures**, **Lerer Hippeau**, and **Box Group** and others.

- **Avarra**, a San Mateo, Calif.-based enterprise avatar and AI-simulation company, raised \$8 million in seed funding. **Lightspeed Venture Partners** led the round and was joined by **GTM Fund**, **Firsthand Alliance**, **John W. Thompson**, and others.

- **Clout Kitchen**, a Santa Monica-based creator-powered interactive experiences developer, raised \$4.5 million in seed funding. **a16z SPEEDRUN** and **Peak XV's Surge** led the round and were joined by **AppWorks**, **Antler**, **Hustle Fund**, and others.

- **Kapa.ai**, a remote AI assistant developer for technical questions, raised \$3.2 million in seed funding. **Initialized** led the round and was joined by **Y Combinator** and angel investors.

- **Dimer Health**, a Mendham, N.J.-based post-hospital discharge care provider, raised \$3 million in seed funding. **Tech Aviv** led the round and was joined by **TABLE Management** and **Silver Circle**.

- **Paren**, a San Francisco-based EV data platform, raised \$3 million in funding. **Base10 Partners** led the round and was joined by **Founders Network Fund** and **Luc Vincent**.

- **Sort A Brick**, a Vilnius, Lithuania-based cleaning, sorting, and repackaging LEGO bricks service into new sets, raised €1.2 million (\$1.3 million) in funding from **Firstpick**, angel investors, and the founders' initial investment of €200,000 (\$221,475).

PRIVATE EQUITY

- **Oaktree Capital Management** agreed to invest A\$240 million (\$164.2 million) in **AZ Next Generation Advisory**, a Sydney-based professional advisory firm.

- **Cypress Rail Solutions**, backed by LongWater Partners, acquired certain railcare maintenance assets from **Northern Plains Rail Services**, a Fordville, N.D.-based rail services provider. Financial terms were not disclosed.

- **EducationDynamics**, a portfolio company of **Renovus Capital Partners**, acquired **RW Jones Agency** and **Rankin Climate**, a Pasadena-based strategic communications, institutional brand marketing, and research provider and campus climate research agency. Financial terms were not disclosed.

- **Fanatics Live**, backed by **Clearlake Capital** and others, acquired the assets of **Voggt**, a Paris-based live-commerce platform. Financial terms were not disclosed.

- **H2O Innovation**, backed by **Ember Infrastructure Management**, acquired **NextEra Distributed Water**, a Juno Beach, Fla.-based sustainable wastewater treatment and reuse solutions provider. Financial terms were not disclosed.

- **ICE USA**, backed by **Godspeed Capital**, acquired **Robert G. Campbell & Associates**, a Knoxville-based consulting and engineering firm. Financial terms were not disclosed.

- **Insight Partners** acquired a minority stake in **Sysdyne Technologies**, a Stamford, Conn.-based cloud-native solutions provider for ready-mix concrete operations. Financial terms were not disclosed.

- **Mavik Capital** and **Axar Capital** took **XS Financial**, a Los Angeles-based non-dilutive CAPEX and equipment financing solutions provider for middle-market businesses, private.

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Financial terms were not disclosed.

- **Mubadala Capital** acquired a majority stake in **Babel**, a Madrid-based IT and digital transformation services provider. Financial terms were not disclosed.

- **New Mountain Capital** acquired a majority stake in **Salute Holdings**, a Franklin, Wis.-based integrated asset management services provider for the data center industry. Financial terms were not disclosed.

- **Outdoor Living Supply**, a portfolio company of **Trilantic North America**, acquired **Garden Supply Hardscapes**, a San Jose-based hardscape, natural stone, brick, lighting, bulk materials, and other landscape products distributor. Financial terms were not disclosed.

- **Waud Capital Partners** acquired **Science Exchange**, a San Francisco-based procurement and supplier orchestration cloud software platform for life sciences companies. Financial terms were not disclosed.

EXITS

- **Cendyn**, backed by **Accel-KKR** and **Haveli Investments**, acquired **Knowland**, an Arlington, Va.-based data-as-a-service insights on meetings and events for hospitality provider, from **Serent Capital**. Financial terms were not disclosed.

- **LaSalle Capital** agreed to acquire **Cascade Coffee**, an Everett, Wash.-based contract coffee manufacturer, from **Westward Partners**. Financial terms were not disclosed.

OTHER

- **Globant** acquired **Exusia**, a Miami-based IT services consulting firm. Financial terms were not disclosed.

- **MrBeast** acquired **Vouch**, a Los Angeles-based creator hiring platform. Financial terms were not disclosed.

- **SingleStore** acquired **BryteFlow**, a Chatswood, Australia-based data integration platform. Financial terms were not disclosed.

IPOS

- **Septerna**, a San Francisco-based GPCRs-focused biotech company, filed to go public on the Nasdaq. **Third Rock Ventures**, **RA Capital**, **Samsara BioCapital**, **Invus Public Equities**, **Deep Track Capital**, **Goldman**, and **Biotechnology Value Fund** back the company.

- **Amentum** closed its merger with **Jacobs Solutions** and went public on the NYSE.

FUNDS + FUNDS OF FUNDS

- **Summit Partners**, a Boston-based private equity firm, raised \$9.5 billion for its twelfth fund focused on technology, healthcare and life sciences, and growth products and services.

PEOPLE

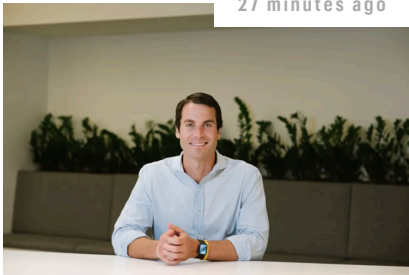
- **Partners Capital**, a London-based investment firm added **Jennifer Fox Bensimon** as a managing director. Previously, she was at **Trilantic North America**.

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