

# Avella, Cardinal Specialty Pharmacy Are Focus of Deals

November 2018  
Volume 15 Issue 11

UnitedHealth Group quietly confirmed when it reported third-quarter 2018 earnings that its pharmacy care services division, OptumRx, acquired Avella Specialty Pharmacy. With the acquisition, OptumRx continues to strengthen its specialty pharmacy services, potentially making its BriovaRx the third largest specialty pharmacy in the country. The companies did not disclose financial details of the deal.

Earlier this year, website PE Hub reported that Optum was in talks to acquire Avella from private-equity firm Riordan, Lewis & Haden (*RSP 2/18, p. 12*). Avella previously was known as The Apothecary Shops but changed its name in August 2012 (*RSP 8/12, p. 12*). Riordan, Lewis & Haden acquired it in April 2009 (*RSP 9/09, p. 1*).

Avella's story is "compelling," asserts Bill Bolding, an analyst at Provident. He says that about eight or nine years ago, the company was bringing in \$80 million in annual revenues, a total that had risen to \$1.3 billion in 2017. "This is a strong case study of success" of a buy-and-build strategy within the specialty pharmacy industry, as the company made various diverse acquisitions, including Oncology Plus, LLC and Advance Pharma Inc. (*RSP 12/16, p. 11*).

"Avella is a gem," says Bill Sullivan, principal consultant at Specialty Pharmacy Solutions LLC, in a client alert. "It has a reputation for being a very well-run operation. Avella has been an innovator in patient care programs and especially patient outreach via multi-media. Perhaps the most valuable part of the deal is the 60+ limited/preferred distribution contracts that Avella has successfully snagged over recent years," he writes, noting that BriovaRx didn't have access to many of them. "These are mostly uber costly [limited-distribution] therapies that will quickly fuel overall specialty revenues driven by UnitedHealthcare's membership."

## Avella Brings Oral Oncolytics Expertise

"OptumRx has grown into one of the largest specialty pharmacies in the country," says Michael Patton, managing director at Provident Healthcare Partners, LLC. The deal "expands upon their current platform," particularly in the oral oncolytics and compounding areas. For third-quarter 2018, OptumRx's year-over-year revenues grew 9.3% to \$17.4 billion. It reported having filled 331 adjusted scripts during that quarter, an increase of 3.1% over the prior-year period.

"Optum overall is one of the most acquisitive payers out there," he maintains, with deals including Genoa Healthcare, LLC; AxelaCare Holdings, Inc. (*RSP 12/15, p. 1*); Surgical Care Affiliates LLC; and DaVita Medical Group. Optum "is one of the top players within the specialty

pharmacy space,” says Patton. It’s focused on taking “costs out of the system” through “vertical integration of service lines” to accomplish this, as well as to provide better care for the people it covers.

“Specialty pharmacy is a significant” area of focus, as specialty drug costs are approaching 50% of total drug spend, Patton notes. In addition to the proportion of spend, the specialty space boasts a large pipeline, and “projections are that the industry will continue to grow,” he says. “Payers want to manage it.”

During an Oct. 16 conference call to discuss third-quarter earnings, Optum CEO Andrew Witty maintained that both Avella and Genoa “are going to be potentially very important additions to our specialty pharmacy portfolio....Going forward we see them offering distinctive contributions in the behavioral space as well as in the specialty, particularly the oncology space,” he said, according to Seeking Alpha.

OptumRx acquired BriovaRx through its July 2015 purchase of PBM Catamaran Corp. (*RSP 4/15, p. 1*). According to Adam Fein, Ph.D., CEO of Drug Channels Institute and author of the Drug Channels website, BriovaRx had \$13 billion in 2017 specialty drug revenues, putting it at No. 4 among pharmacies based on specialty drug revenues.

The Avella acquisition could move it past the No. 3 pharmacy, AllianceRx Walgreens Prime/Walgreens stores, points out Sullivan. “It will be interesting to see if Optum maintains the Avella name or blends it into the BriovaRx organization,” he writes. “That sounds like an easy question, but even a name change can be encumbered by non-assignable contracts and other legal/regulatory technicalities.”

## **Cardinal Health Sells Specialty Pharmacy**

In a Nov. 1 Drug Channels blog, Fein broke the news of another specialty pharmacy deal: Cardinal Health is selling its specialty pharmacy to BioMatrix Specialty Pharmacy LLC. The companies did not disclose financial details of the deal.

Sullivan points out that “analyst reports don’t even recognize the Cardinal SP unit in the Top 15 nationally” for 2017. The deal may signal that the specialty pharmacy space “is getting very hard,” he tells AIS Health. “If Cardinal was rocking and rolling in specialty pharmacy, they would likely have kept in it to at least be on par with their two big wholesaler competitors,” AmerisourceBergen Corp. and McKesson Corp. “Specialty pharmacy is integral to manufacturer relationships, so why cut that link?”

Contact Sullivan at [wsullivan@specialtyrxsolutions.com](mailto:wsullivan@specialtyrxsolutions.com).

*by Angela Maas, managing editor*