

This Startup Hit A \$3.25 Billion Valuation Building Software To Fix Drug Pricing

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Judi Health founders Ryan Kelly (left) and AJ Loiacono JUDI HEALTH

AJ Loiacono launched Capital Rx eight years ago to break through all the hidden fees in drug pricing. Now with \$252 million in new funding, the firm, renamed Judi Health, has broader medical costs in its sights.

AJ Loiacono knew he truly had something after dogfooding his medical benefits administration software on his own company. Not only did he see year-over-year cost savings of 11% for the 1,800 members of the health plan, including

employees and their families, but claims processing time dropped from more than six months to a maximum of 18 days. Better still, he got those cost savings even as he offered improved benefits to his workers.

“We were able to see a reduction per member per month on all costs because we are stripping out these fees and additional fees that are encumbering the plan,” Loiacono told Forbes.

With the test done, Loiacono’s firm, which started in the messy world of pharmacy benefits under the name Capital Rx, is now rolling out medical claims administration to businesses and third-party administrators. To do so, the newly renamed Judi Health has raised \$252 million in equity funding led by Wellington Management and General Catalyst. The deal brings total funding to \$607 million and values the company

at \$3.25 billion, more than double the \$1.5 billion it was worth at its previous funding in March 2024. Firms that include Goldman Sachs Asset Management and Generation Investment Management, which is chaired by former vice president Al Gore, also invested. The funding was so oversubscribed that eager investors also purchased a more than \$150 million stake from the company's early backers. Loiacono plans to discuss the new investment on Wednesday at the New York Stock Exchange.

Medical benefits and prescription ones go through completely separate channels, despite the fact that this often creates duplication, higher costs and enormous frustration for doctors and patients. The way drugs are priced is a particular morass of rebates, clawbacks, financial wizardry and fees on top of fees. Loiacono had built Capital Rx to develop modular, cloud-based software, called Judi (short for "adjudicate," which is what it does to claims) that could cut through this swamp with a more transparent, cheaper way of doing things. With employers trying to get control of spiraling drug costs, he built a substantial pharmacy benefit management business with revenue expected to reach \$3.7 billion this year, up more than 75% from last year's \$2.1 billion. Its technology handles the administrative work of claims, but the company does not take on the risk of paying for them, a role akin to Fidelity's recordkeeping business in administering 401(k) plans.

"AJ is somebody who has been trying to tackle this problem for a very long time," said Jonah Surkes, an investor at Generation. "This is an industry that is complicated, where there are many loud voices and players that have fought dirty to accrue market power and AJ has shown incredible staying power through all of this."

A serial entrepreneur often seen sporting his lucky Costa trucker hat, Loiacono, 53, previously cofounded pharmacy benefits consulting firm Truveris. As a top executive there for eight years, including as CEO, he saw the deep dysfunction of American drug pricing. With his colleagues, Ryan Kelly, now Judi Health's chief technology officer, and Joseph Alexander, who is no longer with the company, he founded Capital Rx in 2017. The idea: to use software to create a more transparent pharmacy benefit manager.

"When we started to do administrative workflows on the pharmacy side, we saw not a well-oiled machine, but a rusting hulk of grinding gears," he said.

"Once you see the medical and pharmacy claims coming in at

the same time, you never want to go back."

AJ Loiacono, cofounder and CEO, Judi Health

Healthcare costs are astronomical: The U.S. now spends around \$5 trillion on healthcare annually, and estimates put administrative spending at around \$1 trillion a year, Drug spending in the U.S. last year rose \$50 billion, to \$487 billion, according to PwC, as innovative treatments for oncology and immunology won FDA approval and the use of GLP-1s like Ozempic (for diabetes) and Wegovy (for weight loss) increased. Total medical costs have been rising around 8% a year for the past few years, and are expected to continue rising at that rate in 2026, according to the same PwC report.

"The mission of our company is to give our country the infrastructure we need to get the healthcare we deserve," Loiacono said. "Until we get control over that infrastructure and modernize it, we can't begin to advance care in this country."

Rather than playing games with pricing, Capital Rx makes its money from flat administrative fees, either on a per member per month basis or on a per claim one — customer's choice. The firm sets drug prices based on a publicly available database, known as the National Average Drug Acquisition Cost, or NADAC, that's maintained by the federal Centers for Medicare and Medicaid Services and based on how much a sampling of pharmacies across the country pay manufacturers and wholesalers to buy drugs.

That's a big shift for an industry whose complex prices and hidden fees have led to hearings in the House of Representatives and a push for legislative reform, most recently with the bipartisan PBM Reform Act of 2025, introduced in July. "Drug pricing in the United States has become a textbook example of how opacity fuels inequity," Gore told Forbes by email. "Real change requires transparency, business model innovation and better technology that puts patients first,"

Loiacono said he'd welcome legislative reform, but noted that Judi's business model didn't depend on new regulation to succeed. "I'll take a tailwind any day, but it doesn't impact our business."

While Loiacono started in the hard-scrabble world of pharmacy benefits, the market for medical benefits is far larger. And combining medical and pharmacy claims is something of a holy grail in healthcare, a simple move that would help to eliminate some of the industry's duplication and get rid of some of the

administrative waste. “They are building what we believe is the first unified claims system, which is a huge shift in how benefits are administered,” said Holly Maloney, a managing director at General Catalyst, who led her firm’s investment in the company. “We think there’s absolutely a \$20 billion business to be built here.”

Already, Loiacono said, Judi Health has signed up a couple of major employer plans (which he declines to name), as well as a third-party administrator that is licensing its technology, representing some 40,000 lives for the new health administration product.

“Once you see the medical and pharmacy claims coming in at the same time, you never want to go back,” he said. “It’s the same membership and same plan sponsor and same rules.”



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