

Amazon Jumps into The Pharmacy Business

On November 17, 2020, the online retail giant, Amazon, announced the creation of Amazon Pharmacy, an online pharmacy through which medications can be ordered for home delivery. Amazon Pharmacy will serve patients 18 years and older across 45 states including West Virginia, and it will accept most forms of insurance, including FSA and HSA. In addition to free deliveries, Amazon Prime members will receive discounts (up to 80% on generic medications and up to 40% on brand-name drugs). These customers can also get a prescription savings benefit card to use at up to 50,000 pharmacies including local retailers. Of note, Amazon Pharmacy will not deliver Schedule II medications and it will not supply vitamins and supplements. Amazon's plan to enter the pharmacy business has been in the works for several years now, notably after their acquisition of PillPack in 2018.^{1,2} TJ Parker, Vice President of Amazon Pharmacy, and co-founder of PillPack, stated that the reason behind the launch of Amazon Pharmacy is to make it easier for people to get their medications, and also to help them to better understand the cost. Jamil Ghani, Vice President of Amazon Prime, added that they think the new benefit will add tremendous value to members.¹

The launch of Amazon Pharmacy sent shock waves across the retail pharmacy market, as many dominant players saw a dip in the value of their stocks. CVS and Walgreens Boots Alliance stock shares both dropped approximately 9%, Rite Aid's stock suffered a 15% drop, while GoodRx saw a 22.5% erosion.^{1,2} Large chain pharmacies have always relied on steady flow of shoppers, who come in to pick up their prescription in addition to other items. According to analysts at Citi Research, the news represents a disruption to the system with a potential to shift scripts away from the traditional retail channel.³ Additionally, an analyst for Edward Jones stated that this move will likely affect the smaller drugstores more than larger chains, since they lack the purchasing power or deals that major drugstore chains have. Furthermore, Amazon Pharmacy may also affect the practice of pharmacy in addition to the business of pharmacy. While they say a pharmacist or pharmacy technician will be available at all times to answer any questions, patient counseling and patient education may not be as effective as the face-to-face interaction at local pharmacies.¹ The aspect of patient care will be extremely affected with an all-online pharmacy like Amazon.

While the news of Amazon Pharmacy brought panic to traditional retail pharmacy, there are still some serious challenges for Amazon, including the ability to convert loyal customers, concerns about data security and privacy, same day medication delivery and package theft.⁴ However, Craig Garthwaite, a health economist still sees Amazon Pharmacy as an attractive option for patients.³ This announcement comes at the perfect timing with many patients relying on getting their medications through the mail due to the current pandemic.¹ While Amazon pharmacy seems to pose a threat to the traditional retail pharmacy sector, it may provide benefits to many patients throughout the country.

References:

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