



## Amazon's Healthcare Pivot

During the January 2025 J.P. Morgan Healthcare Conference, Teladoc's executives announced the company has partnered with Amazon Health Services, joining its Health Benefits Connector program.<sup>1</sup> The program was rolled out in January 2024 and connects Amazon customers with virtual care benefits covered by their insurance plan or employer; if eligible, customers are able to apply to join the program(s).<sup>2</sup> Teladoc is the fifth company to join Amazon's Health Benefits Connector program (formerly known as Health Conditions Programs), along with digital physical therapy company Hinge Health; chronic condition management company Omada; online therapy and mental health firm Rula; and behavioral healthcare provider Talkspace.<sup>3</sup>

Teladoc has been providing virtual chronic condition management programs, including for diabetes, pre-diabetes, hypertension, and weight management, for over 20 years and has over one million active enrollees.<sup>4</sup> With over half of American adults living with at least one chronic condition, and nearly 25% of Americans unaware of all of the insurance benefits available to them, Teladoc sees a large market for their services, to which the Amazon partnership will increase access.<sup>5</sup> In particular, Teladoc hopes the partnership will drive enrollment in its chronic care offerings.<sup>6</sup>

Amazon has widely publicized its intention to disrupt the healthcare industry,<sup>7</sup> and this latest partnership – and the Health Benefits Connector program generally – appears to play into its larger strategic vision. Its strategy is a “carefully orchestrated multi-pronged approach that leverages its existing infrastructure and technological capabilities” and encompasses three main pillars: pharmacy operations, artificial intelligence (AI) integration, and telehealth services.<sup>8</sup>

Amazon acquired PillPack (an online pharmacy) in June 2018 for \$753 million,<sup>9</sup> and subsequently expanded its pharmaceutical footprint through its 2020 launch of Amazon Pharmacy, a full-service digital pharmacy providing transparent drug pricing, free medication delivery, and 24/7 pharmacist access.<sup>10</sup> The service has since expanded to all 50 states, and in 2023, Amazon commenced RxPass, a low-cost, generic drug subscription service targeting those with common, chronic conditions.<sup>11</sup> In June 2024, Amazon Prime's RxPass subscription savings program became available to over 50 million Medicare beneficiaries. The Prime-

exclusive benefit provides “affordable access to common medications; fast, free delivery each month; and the ability to connect with a pharmacist 24/7.”<sup>12</sup> Amazon estimates that Medicare beneficiaries could save at least \$70 per year on their medications through RxPass.<sup>13</sup> In October 2024, Amazon Pharmacy announced it would open pharmacies in 20 new U.S. cities in 2025; this expansion will allow for same-day medication deliveries to nearly half of the country, addressing the growth of “pharmacy deserts.”<sup>14</sup>

Perhaps Amazon's real differentiator in the healthcare market is its technology. In 2023, Amazon announced it formed a strategic collaboration with AI company Anthropic, which includes an Amazon investment of up to \$4 billion.<sup>15</sup> Subsequently, Amazon launched an AI tool, HealthScribe, to transcribe and summarize physician visits, as well as manage files, with the goal of alleviating the administrative burden related to documentation.<sup>16</sup> To improve Amazon Pharmacy's efficiency and accuracy, it is using AI to “fill prescriptions more quickly and accurately, make customer service faster and more helpful, and ensure the right quantities of medications are stocked for customers.”<sup>17</sup> Amazon is also developing AI applications to provide more transparent medication pricing to allow customers to shop for the best prices.<sup>18</sup>

In what was characterized as its “potentially most significant move” in the healthcare market, Amazon acquired primary care network One Medical – and its 836,000 associated members and 221 medical offices across 27 markets – in July 2022 for \$3.9 billion.<sup>19</sup> However, less than two years post-acquisition, One Medical reported operating losses of nearly \$500 million, worse than the losses reported by the company prior to Amazon's acquisition.<sup>20</sup> In an effort to cut nearly \$100 million in costs, Amazon closed corporate offices and laid off One Medical staff.<sup>21</sup> In October 2024, Amazon One Medical and Cleveland Clinic announced a collaboration wherein Amazon will open a primary care office in Northeast Ohio in 2025 “offering same and next-day appointment availability, onsite lab services and wrap-around virtual care support for members.”<sup>22</sup>

As alluded to above, Amazon has not been immune to the difficulties faced by other large corporate disrupters, particularly those who attempted to disrupt the primary care space.<sup>23</sup> Amazon's other failed healthcare ventures include: Haven, a healthcare-specific joint venture with

JPMorgan Chase and Berkshire Hathaway, was disbanded less than three years after its 2018 launch; Amazon Care, an Amazon-launched virtual health clinic, lasted only a couple of years; and, most recently, Amazon Clinic’s telehealth marketplace was nixed after only 19 months in operation and consolidated into One Medical.<sup>24</sup> Nevertheless, Amazon has persisted. While many in the healthcare industry wondered if the challenges encountered by Amazon would result in a retreat from the primary care space. Instead, the moves now appear to have simply been a pivot away from what was not working, and continuing refinement of its overall healthcare strategy.

In general, the corporate behemoths that have sought to disrupt the U.S. healthcare industry, and the primary care space specifically, have been largely unable to deliver. In 2024 alone, Walmart announced the closure of Walmart Health; Walgreens shut down 80% of its VillageMD clinics; and CVS Health announced 2,900 layoffs, closing or selling 29 retail pharmacy locations, and other significant cost-cutting measures.<sup>25</sup> However, despite the hurdles it has faced, Amazon seems committed to the healthcare space, and it appears that the layoffs and cost-cutting measures have been strategic, learning from its failures and pivoting as need be, refining its path forward in healthcare. Whether these various recalibrations, including the new partnership with Teladoc, are successful remains to be seen.

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