

Walgreens and Microsoft Form Alliance for Healthcare Innovation

On January 15, 2019, *Walgreens Boots Alliance Inc.* (WBA), the first global pharmacy-led health enterprise, announced a seven-year strategic partnership with Microsoft, one of largest multinational digital companies in the world, “to develop new health care delivery models, technology and retail innovations to advance and improve the future of healthcare.”¹ Financial terms have not yet been disclosed, but the partnership has outlined that Microsoft’s *artificial intelligence* (AI) cloud infrastructure and WBA’s global retail and outpatient service customer reach of over 8,000 stores will combine to close current gaps in the existing U.S. healthcare delivery structure.² This move comes amid recent consolidation within the healthcare industry (including the CVS Health-Aetna acquisition, the Cigna-Express Scripts merger, and the joint venture between Amazon, Berkshire Hathaway and JPMorgan Chase & Co.), pressuring WBA to extend its reach beyond retail pharmacy.³

The overarching goals of this partnership are to utilize Microsoft’s technology to “improve medication adherence, reduce emergency room visits and decrease hospital readmissions,” while maintaining data privacy, security, and consent.⁴ In order to effectively reach these goals, WBA has announced that they will transition their information technology (IT) platforms to Microsoft.⁵ Soon, WBA will be integrating Microsoft Azure as their cloud structure and introducing Microsoft 365 to more than 380,000 employees globally, accelerating their technological modernization and cost effectiveness across the company.⁶ With Microsoft technology, WBA will be able to connect their stores and health information systems through digital devices so that patients will be able to access healthcare resources and participate in virtual care (i.e., telemedicine).⁷ The availability of virtual care will be increasingly important as rural providers face an increased risk of closure due to financial strain.⁸ The increased utilization of more convenient retail pharmacies, as well as the virtual care aspect, is expected to help patients who do not often see their provider and handle health issues before the condition becomes critical.⁹ Additionally, in order to offer more personalized care services, the partnership will implement patient engagement applications along with *Internet of Things* (IoT) devices, i.e., a network of devices that are able to connect to the internet and share data, for management.¹⁰ This personalized care includes

wellness and lifestyle management programs via digital applications.¹¹

The companies have also established a multiyear *research and development* (R&D) investment, to fund subject experts, technology, and tools.¹² Along with R&D, the partnership anticipates establishing joint innovation centers in crucial markets with the aim of creating solutions to improve health outcomes and lower the cost of care.¹³ Furthermore, WBA will pilot “*digital health corners*” in approximately 12 stores to market select healthcare hardware and devices in 2019, as part of WBA’s vision to turn their stores into “*modern neighborhood health destinations*.”¹⁴

Such strategic partnerships are not new to WBA or Microsoft. CEO of WBA, Stefano Pessina, states that partnerships “enable us to quickly align our products, services and people to the needs of the rapidly changing and integrated omnichannel marketplace.”¹⁵ WBA recently partnered with Verily, Alphabet Inc.’s life sciences research organization centered on the utilization of technology to prevent, detect, and manage disease,¹⁶ in order to help patients with chronic conditions, deploying devices and additional approaches through a medication adherence pilot.¹⁷ WBA is also forming strategic partnerships with other healthcare providers; for instance, they are partnering with Humana to establish senior health clinics inside its drugstores.¹⁸ In the healthcare realm, Microsoft has recently partnered with Teladoc, a virtual care delivery services company that utilizes Microsoft Azure’s cloud platform.¹⁹ Increasing amounts of strategic partnerships are becoming a trend in order to compete at a faster pace with the consolidations happening within the industry.

However, some believe that these combinations of dissimilar businesses are a “*disruptive*” move in healthcare, posing a threat to the traditional healthcare system.²⁰ Retail pharmacies are thought to close existing gaps in the traditional health system by providing low cost, quality providers and basic services,²¹ as well as enhance the continuum of care and improve patient satisfaction, due to the convenience and cost factors.²² This may be especially beneficial to those with chronic conditions, who see their pharmacists more frequently, while only visiting their provider once every six months, creating the opportunity for pharmacists to help monitor patients.²³ Additionally, patient polls regarding primary care physicians indicate decreased satisfaction, relating

to poor service, poor communication, and delays in accessing care and follow up support,²⁴ potentially influencing the shift toward retail facilities to receive basic care. The emerging influence of retail pharmacies may cause disruption in the industry, as they offer an opportunity to engage with a patient more frequently, so patients may increasingly visit their retail pharmacists, rather than traditional primary care physicians, for their healthcare needs.²⁵

The trend toward increased utilization of retail pharmacies for care is supported by insurance plans, which may pose an additional threat to traditional healthcare facilities. A 2018 *Employer Health Benefits Survey* conducted by *The Kaiser Family Foundation* indicated that 68% of employer respondents (with 50 or more employees) offered benefits that cover healthcare services received in retail markets, and 15% of respondents provided a financial incentive for workers to use a retail clinic.²⁶ The current health insurance landscape, as well as the recent partnerships and consolidations within the industry, will increase competition for hospitals and other healthcare facilities. This competition could result in closures of failing

healthcare facilities (especially in already underserved areas); however, it might provide an incentive for traditional healthcare facilities to change aspects of their operations in order to compete.²⁷

As consolidation becomes increasingly popular within the healthcare industry, more organizations may turn to various types of strategic partnerships in order to effectively compete, rather than turning to horizontal and vertical consolidation. The WBA-Microsoft strategic partnership was driven, at least in part, by this consolidation trend that has threatened WBA's future business. Regardless, this partnership attempts to close gaps within the healthcare industry to offer connected, consumer-centric healthcare delivery and personalized healthcare services with Microsoft's technology capabilities. The increasing capabilities of retail pharmacies through these partnerships may serve to disrupt traditional healthcare providers in hospitals. In order to compete, these hospitals will need to differentiate themselves from retail pharmacies and offer more convenient, personalized care as retail pharmacies begin to incorporate more healthcare services and technologies in their locations.

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