

Corporate Moves in Healthcare Continue to Disrupt the Industry

Due to political impasses and systemic problems, the federal government is often powerless to make meaningful improvements to the healthcare industry. Increasingly high costs, large deductibles, healthcare workforce shortages, and delays in treatment and obtaining medication are plaguing the U.S. healthcare delivery system.¹ Instead of waiting on regulatory reform, corporate America has sought to disrupt the healthcare industry over the last few years, by streamlining the delivery of healthcare (and associated costs) and taking advantage of technological advancements. This entrepreneurial approach to problem-solving may provide meaningful competition to traditional healthcare organizations, which may result in higher quality, more affordable healthcare.² Some of the biggest companies in the U.S. – CVS Health, Walgreens, Amazon, Walmart, and Best Buy – are expanding their healthcare empires through acquisitions and other strategic moves.³ This Health Capital Topics article will briefly survey some of these current private sector deals and initiatives.

CVS Health began its healthcare expansion, moving beyond the retail pharmacy space to integrated healthcare, with its 2017 acquisition of Aetna (a health insurance provider) for \$70 billion.⁴ On September 5, 2022, CVS Health announced its successful acquisition of Signify Health (a home health and physician technology company) – beating out a number of other bidders – for \$8 billion.⁵ Five months later, CVS announced the acquisition of Oak Street Health (a publicly-traded, private equity backed group of Chicago-based primary care providers) for \$10.8 billion.⁶ With these acquisitions, CVS aims to become a one-stop shop for consumers by combining their retail pharmacy with a clinical care delivery arm.⁷

Over the past couple of years, Walgreens Boots Alliance has made a number of acquisitions, including of: (1) Shields Health Solutions (specialty pharmacy company) on September 21, 2021, for \$2.3 billion; (2) VillageMD (primary care service company) on October 14, 2021, for \$5.2 billion; (3) CareCentrix (a home care company) on October 14, 2021, for \$722 million; and (4) SummitHealth – CityMD (an urgent care clinic group) on November 7, 2022, for \$8.9 billion.⁸ These acquisitions have strengthened Walgreens' stake in the healthcare services market. With demand for COVID-19 testing and vaccines decreasing, the pharmacy retail company is aiming to diversify by increasing their presence in the

healthcare services market (similar to CVS).⁹ With 75% of Americans not having a primary care provider, Walgreens is also looking to become a healthcare destination for consumers.¹⁰

In June 2018, Amazon acquired PillPack (an online pharmacy that delivers medications to consumers) for \$753 million, in an attempt to break into the pharmaceutical market.¹¹ On November 2020, Amazon Pharmacy was launched, providing customers in 45 states transparent drug pricing and free, unlimited deliveries of medications.¹² Since then, the service has expanded to all 50 states, and in 2023, Amazon announced the commencement of RxPass, a new service targeting those with common, chronic conditions, which will cost patients only \$5 per month.¹³ Beyond the pharmaceutical sector, Amazon also acquired Health Navigator (a digital healthcare startup) on October 23, 2019, for an undisclosed amount, and One Medical (a network of primary care providers) on July 21, 2022, for \$3.9 billion.¹⁴ With the One Medical deal finalized, Amazon will acquire 836,000 members, and 221 medical offices spread across 27 markets, expanding the company's ability to provide healthcare services to patients.¹⁵ It appears that with these moves, Amazon seeks to apply its successful direct-to-consumer retail model to the healthcare industry.

Over the past few years, Walmart has announced its acquisitions of: (1) FloCare (a health-technology business) on July 9, 2019, for an undisclosed amount; (2) CareZone (prescription management startup) on June 15, 2020, for \$200 million; and (3) MeMD (telehealth provider) on May 6, 2021, for an undisclosed amount.¹⁶ These acquisitions highlight Walmart's continued expansion in the healthcare services market. Additionally, Walmart has expanded Walmart Health, a network of health centers providing "primary and urgent care, labs, x-ray and diagnostics, behavioral health, dental, optometry and hearing services," regardless of insurance status.¹⁷ Since launching in 2019, Walmart Health has opened more than 25 locations across the South; in early 2023, Walmart Health announced its plans to open an additional 28 centers in 2024.¹⁸ Through this transactional activity, the retail giant is looking to increase access to healthcare and promote better health outcomes by rendering healthcare services to patients where they are – in Walmart stores – and by providing transparent and affordable pricing for healthcare services.¹⁹

In 2018, technology retailer Best Buy entered the healthcare market with an \$800 million acquisition of GreatCall, an emergency response company for the elderly.²⁰ In late 2021, Best Buy acquired a home health technology platform, Current Health, for \$400 million.²¹ The company is pushing further into the healthcare sector, announcing partnerships with several major health systems to expand their Current Health platform.²² In a recent agreement, Best Buy will begin offering technology support to Atrium Health, a hospital-at-home program.²³ Best Buy Geek Squad employees will deliver equipment and assist patients in equipment setup.²⁴ Best Buy's goal is to enable providers to deliver high quality care to patients in their own homes, and reduce the financial and emotional burden on caregivers and patients.²⁵

Corporate America's recent transactional activity in the healthcare industry seems to follow the same themes – meeting patients where they are and utilizing technology and established retail locations to make healthcare as convenient as possible. These companies' recent moves in the healthcare sector may result in increased price competition, a greater variety of services, and more price transparency for patients. While profit seems to be a significant driver for many of these corporate initiatives, the byproduct of the private sector's pursuit of higher profits may be better, more accessible healthcare for patients. The transactional activity undertaken by companies like CVS Health, Walgreens, Amazon, Walmart, and Best Buy, among others, serves as a striking example of corporate America's push to expand their presence in the healthcare services market.²⁶

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