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The Latest Developments Driving the Transformation of Care

## THIS WEEK



### Amazon's customer-first focus could reshape the pharma supply chain

With all of Amazon's health care moves, it's been tough to get a precise read on exactly where the company is headed. But when it comes to the pharmaceutical supply chain, look for Amazon to become an end-to-end player.

Within five years, the online retail giant through acquisitions and other investments, could become active in wholesale, pharmacy benefit management, operating pharmacies through its 450 Whole Foods stores and perhaps even manufacturing. In the process, Amazon could leverage its Prime membership services and Alexa to expand into more areas of the pharmaceutical business.

Joshua Mark, an intelligence analyst with CB Insights, laid out the case for Amazon's aggressive expansion through acquisitions and other means during the firm's recent Future of Health conference. The conference explored issues such as how technology is addressing the women's health market, the future of aging and CB Insights revealed its [Digital Health 150](#) list of startups that are redefining health care.

Mark believes the \$1.2 trillion pharmaceutical supply chain is ripe for disruption as middlemen extract huge margins before drugs make their way to consumers. He argued that Amazon is uniquely positioned to fundamentally alter current market conditions.

**Middle men extract big margins in pharma supply chains**

**Revenue and profit for \$100 spent at a retail pharmacy**

	Manufacturer	Payer	PBM	Pharmacy	Wholesaler
<b>Revenue:</b>	\$58	\$19	\$5	\$15	\$2
<b>Net Profit:</b>	\$15	\$3	\$2	\$3	\$0.32
<b>Profit Margin</b>	26%	16%	40%	20%	16%

Middlemen

Source: USC Leonard D. Schaeffer Center for Health Policy & Economics, Courtesy of CBInsights

With more than half of all Americans now Amazon Prime members, Amazon has a larger negotiating base than any insurer or payer today, Mark said. Moving into the wholesale space is a logical move. If the company does this, it can provide service as a pharmacy benefit manager for self-insured employers and other payers who are unhappy with the status quo — as many indicated in a National Pharmaceutical Council [report](#).

With its customer-first mission, Amazon could well follow the model of GoodRx, which aggregates prices available at local pharmacies and points customers to the lowest price regardless of who sells it. Mark noted that Alexa may become the front door to the patient experience. Earlier this year Alexa added six HIPAA-compliant skills, including allowing members of Express Scripts to check on the status of home delivery prescriptions and to send notifications when prescriptions have been shipped and when they arrive. Amazon also could follow the models of Nurx, hims and Pill Club in shipping drugs prescribed through a telehealth visit with a physician directly to a patient’s door.

In addition, Amazon might look at acquiring a generic pharmaceutical manufacturer like Teva Pharmaceutical Industries, whose stock is down 80% over the last five years, as a launch point for a private-label generic drug opportunity, Mark said.

If all this sounds like too-much, too-fast, even for a company the size of Amazon, Mark explained that another company — Alibaba already has done this in China, adding that Amazon has a history of copying some of Alibaba’s moves, such as its Prime Day offering and entrance into the grocery space.

**What Amazon’s future in pharma would mean**

Mark indicated the following ramifications for health care providers, payers and drugmakers as Amazon further expands into the pharmaceutical market:

**Providers:** They would see lower-cost drugs across care settings, regardless of scale. Secondly, because Amazon would be a competitor in prescription health services, providers may look to

simplify their prescription process in order to compete with what could be a better patient experience from Amazon.

**Payers:** It may mean that Amazon ends up offering a better drug benefit than payers. The premium payers capture today comes in the form of a drug benefit. If Amazon offers a better drug benefit than payers, customers don't have to buy it from insurers going forward. This will squeeze payers to either lower their prices or find another source of revenue.

**Therapeutics makers:** Amazon becomes the ideal partner to end all therapeutics makers' needs for warehousing and distribution services.

## IT'S TIME TO GET BACK TO THE BASICS ON SOCIAL DETERMINANTS

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Some hospitals and health systems are taking steps to address social determinants of health (SDOH) in their communities by funding affordable housing, partnering with rideshare companies and food pantries to meet local needs. A recent study published in the [Journal of the American Medical Association](#), however, may indicate a greater need for a more fundamental task — screening all patients for food insecurity, housing instability, utility needs, transportation needs and interpersonal violence.



The survey found that only 24% of responding hospitals and 16% of physician practices are screening for all five social determinants. The survey, conducted among nearly 5,000 hospitals and physician practices, also found that one-third of physician practices and 8% of hospitals reported no screening. The survey generated a 47% response rate.

Practices that serve economically disadvantaged patients, those that take part in payment reform models and academic medical centers were most likely to screen for all five factors. The survey results found wide disparities in screening rates among hospitals and physician practices for each of the five factors, including:

- Hospitals were more than twice as likely as physician practices to screen for interpersonal violence and transportation needs.
- 40% of hospitals screen for housing instability vs. 30% of physician practices.
- 36% of hospitals screen for utility needs vs. 23% of physician practices.

Meanwhile, a Kaiser Permanente [study](#) published in June showed that nearly 93% of respondents said they wanted their doctors to ask them about access to meals; 83% said they wanted to be asked about safe and stable housing.

A crucial step to addressing patients' social needs is having a conversation to fully understand what patients experience beyond the walls of the care setting. AHA's [The Value Initiative](#) recently launched a new report and tools to help in this effort. "[Screening for Social Needs: Guiding Care Teams to Engage Patients](#)" covers strategic considerations for implementing a screening program. The resources also provide tips for tailoring screenings to hospitals' unique communities and a list of national organizations that can help connect patients with local resources.

We want to hear from you! Please send your feedback to Bob Kehoe at [rkehoe@aha.org](mailto:rkehoe@aha.org).

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