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Amazon/PillPack A Tough Swallow For Health Care?

By Gina Shaw

Online behemoth Amazon has jumped into the pharmacy business, buying startup PillPack for about \$1 billion, the company announced. If the deal is the death knell of traditional dispensing-based community pharmacy, as some pundits predict, what will it leave in its wake?

How about a more vibrant, patient-focused pharmacy profession? That's the hope, if not prediction, of at least one industry watcher asked to comment on the Amazon deal.

But first, the details. Launched in 2013, PillPack distributes medication in easy-to-use packages, sorted by dose, with labels featuring images of each pill and directions for taking it. The company sorts and groups prescriptions by day and time of dose, and includes a label with a picture of each pill and directions on how it should be taken. With a primary pharmacy in Manchester, N.H., PillPack also has locations in Austin, Texas; Brooklyn, N.Y.; and Miami, and licenses to deliver drugs in all 50 states.



It's a good fit for Amazon, Nathan Ray, the senior principal in the health care and life sciences practice for the consultancy West Monroe Partners, told *Pharmacy Practice News*.

"The company is highly complementary to the Amazon ethos," he said. "One of the biggest drivers of cost improvement in post-acute care is care management: having the right treatment, at the right time, in the right place (cost setting), which is more and more becoming in the home. PillPack's format adds 'care management' value by improving adherence and convenience, much like free shipping."

Amazon has been looking to make inroads into health care on several fronts. In January, it announced plans with Berkshire Hathaway and JPMorgan Chase to form an independent health care company for their U.S. employees. It's also growing its medical supplies business.

Ed Monroe, the senior director of West Monroe's life sciences industry practice, underscored the prevailing view: that the PillPack purchase will shake up the industry. "This acquisition will make the prescription drug delivery supply chain more efficient, given Amazon's distribution, warehousing and packaging capabilities with same-day service," he

said. “In the medium term, I have no doubt Amazon will take cost out of this process; its track record is really strong. Eventually, the acquisition will be disruptive to all players downstream of drug manufacturing, PBMs [pharmacy benefits managers], distributors and even retail.”

Threat or Opportunity?

But Rebecca Chater, RPh, MPH, FAPhA, the director of clinical healthcare strategy for Omnicell, has a more optimistic take on the deal. She argued that instead of viewing the Amazon incursion into pharmacy as a threat, pharmacists should consider this an opportunity to reevaluate their existing patient services and bring in tools that help them stay connected to personalized care. By offering a suite of adherence tools that can be customized for each patient, she said, pharmacists can ensure they’re not edged out by the online retailer.

Still, significant change is the likely outcome of the Amazon/PillPack partnership, Ms. Chater noted. “Although convenient access to medication [enhances] adherence and could be facilitated by this move, it does stand to disrupt the relationship between community-based pharmacists and patients,” she said.

Ms. Chater cautioned, however, that the speed Amazon promises to bring to pharmacy is not, in and of itself, a guarantee of success.

“While convenience of medication delivery is a good thing, it’s not a panacea for resolving nonadherence and falls woefully short in addressing other critical aspects of addressing medication therapy problems that community pharmacists manage, like unanticipated medication interactions, gaps in care, cost challenges and lack of patient education,” she said. “With 40 million Americans taking five or more medications, they need front-line pharmacists in the community to help manage their care—a local and trusted resource who’s familiar with them and their medication needs.”

Upping the Game

Ms. Chater urged retail and community pharmacies to up their game and differentiate themselves from mail order with enhanced service offerings and medication therapy management, using technology and automation to enable pharmacists to spend time doing those tasks to which they are uniquely suited. She also pointed to CVS’s June 2018 announcement that it would offer next-day home delivery from every one of its 9,800 retail pharmacy locations across the country—a service that most independent pharmacies have offered for some time, as another differentiator. “That’s a replacement for mail order that is

still convenient but more personalized, and still maintains the link with the local pharmacy,” she explained. “You can’t separate the distributive function from the care management piece, and the local pharmacist is [best] situated to provide both.”

PillPack’s multi-medication packaging is a growing solution within community pharmacy. A MarketsandMarkets research report from 2017 projected that the adherence packaging market is expected to grow by 6.2% between 2017 and 2022, to reach \$917.7 million by 2022. And that’s not surprising, Ms. Chater noted: “Consumers don’t want to go back to vial packaging after they use multi-med,” she explained, adding that studies underscore the effectiveness of compliance packaging. She pointed to the STOMPP [Study to Measure the Impact of Pharmacists and Pharmacy Services] trial as an example. The data, presented at the American Pharmacists Association 2018 annual meeting, showed that multi-medication blister cards “are very influential in improving patient adherence, with the strongest factor being the combination of medication therapy management and the multi-med blister card packaging.”

Check the ROI!

But Tim Kosty, RPh, MBA, the president of Pharmacy Healthcare Solutions Inc., suggested that multi-dose packaging isn’t a financially viable option for many pharmacies. “The technology has been around for years, but it hasn’t gained wider adoption because payors haven’t been willing to reimburse pharmacies more for it, even though studies show it increases compliance,” he said. “I have clients who have added this service but are unable to make money at it. It’s not that they don’t want to do it or don’t have the vision; it’s raw economics. PillPack’s financials aren’t public, but I would assume that they make up in volume what they lose in high costs for preparation and free shipping.”

Mr. Kosty said until Amazon makes its next couple of acquisition moves, it will be hard to tell what the PillPack venture means. “It’s clearly an interesting way to get access to a book of business in 50 states, and they can start looking at the data to understand shopping habits, add-on suggestions and so on. But the next acquisition they go after, that will be telling about their strategic direction.”

Richard Ptachcinski, PharmD, FCCP, the CEO of Pharmacy Consulting International, agreed. “If, for example, they take a bricks-and-mortar strategy and do something with their Whole Foods stores, the impact will be more on the big chains rather than the independents. But if Amazon were to get into the insurance business— still another viable option—and start driving business to their own pharmacies, that starts to squeeze networks even more and independent pharmacies already struggling with network consolidation.”