

# Why Amazon's One Medical Deal Matters

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Amazon made a major move into healthcare in July when it announced [plans to buy One Medical](#) in a \$3.9 billion deal. Suddenly, theoretical discussions about the future of healthcare—a future that could be dominated by tech giants such as Amazon, Google and Apple—came into sharp focus as the potential for Amazon to reinvent primary care emerged.

Now, healthcare leaders must consider: “How will this threat play out?”

It's not that Amazon is the first to throw its hat into the tech-enabled primary care ring. Primary care is ripe for disruption, especially routine primary care, where poor service—from long waits to repetitive demands for basic personal information and overworked and sometimes surly staff—is not the exception, even within health system-owned practices. A host of innovators have introduced platforms designed to deliver convenience and value to consumers through on-demand, same-day or next-day access to care—virtually or in-person—at the touch of an app.

The primary care innovators have been hot and exciting. Their valuations had been astronomical (despite losing money) but have dropped to levels that potentially make them more attractive targets for strategic acquisition by big tech or health plans.

What makes Amazon's move into primary care one to watch is that Amazon has the potential to take convenience and personalized experience to the next level in healthcare. Just as Amazon beat the stuffing out of traditional retailers with a shopping experience that is quick, convenient and driven by consumer analytics, Amazon could leverage its big data to gain a highly precise view of consumers' healthcare needs at the individual and population level. With this information in hand, Amazon providers like One Medical, with 180 medical offices in strategic locations and on-demand virtual access, gain a supercharged ability to influence and improve healthcare outcomes, driving value for consumers as well as health plans.



Beyond delivering a great primary care experience, the threat of any primary care innovator is that they will steer patients to selected lower-cost settings. This, combined with Amazon's large customer base (including 157 million Prime members) and its expertise in leveraging digital tools for consumer convenience, could hold strong appeal for health care purchasers - consumers, employers and health plans alike.

Just as important, One Medical's fee-for-service model and its increased reach and capabilities as an Amazon partner are likely to deepen its appeal to employers, especially if its approach improves employee satisfaction. The impact: Amazon could draw the best commercial patients from health system-owned primary care practices, undermining the health system's control of patient referrals.

The bottom line: An Amazon-backed One Medical will be a formidable competitor to health system-employed physician practices—and health systems must determine how they will respond.

### **COMPETING WITH A MEDICAL GOLIATH**

It's no secret that hospitals have been in a battle to control patient flow. In the past few years, purpose-built primary care models (like One Medical, Oak Street Health, and ChenMed) and aggregators (like Agilon and Privia) have wooed away physicians and patients, diminishing the commercial and Medicare Advantage pool of primary care patients who are cared for by physician practices owned by or aligned with a hospital or health system. In this environment, there are now two primary care markets: one focused on convenience, speed, wellness and treatment of minor and routine ailments in largely healthy people with well-paying commercial insurance, and the other focused on coordinating complex care for people with chronic illness, rewarding providers for saving on the total spend. One Medical, with its [acquisition of Iora Health](#), a tech-enabled primary care organization that meets the needs of Medicare patients, serves both [radically different populations](#).

Amazon's foray into primary care—after a false start in healthcare with [Haven](#)—is likely to supercharge a rapidly changing physician marketplace in which United Healthcare's Optum continues to grow, Walgreens investment in VillageMD is expanding their retail clinics, and CVS has signaled it will make a major primary care acquisition. Health systems with employed physicians, often a collection of acquired practices, are ill-prepared to compete. Amazon's deep pockets and well-honed infrastructure could someday compete with Optum, currently the country's [largest physician employer](#), although it will take time for Amazon to reach Optum's current 53,000-physician mark.

The full impact of Amazon's deal with One Medical will take time to realize—and it's likely just the beginning. Apple and Google need to find new market segments to meet their

growth targets. With healthcare expected to comprise [20% of gross domestic product by 2026](#), more big tech will likely enter the primary care space. The types of innovations in care delivery and patient experience that could result from tech-led transformation could reshape care as we know it. Imagine Amazon providing low-cost access to primary care to its 157 million Amazon Prime members.

It's also important to consider the effect that Amazon's expertise in data analytics could have on care outcomes. Some wonder whether Amazon can be trusted with personal health information, fearing Amazon would use it to market other products. The greater opportunity for Amazon is to establish trust by maintaining the privacy of health data and build artificial intelligence (AI) tools into One Medical's digitally integrated platform of care. A large patient base will help Amazon's AI tools to learn and gain sophistication – the ultimate source of value for Amazon and other large tech players.

Where does this leave hospitals? Will healthcare providers focus on a bigger-is-better strategy to compete with Amazon and others? Or, will Amazon/One Medical become an increasingly common partner for hospitals—providing an avenue to grow their primary care networks and commercial and Medicare populations, without traditional practice ownership? Will clinical care responsibility shift from the individual practitioner to the corporation? If so, how will corporations balance the often-conflicting financial and clinical/quality objectives? How quickly and aggressively will Amazon seek to bear risk for the total cost of care in payer contracts or by become an insurer? And, what impact could the Amazon [combination of primary care and pharmacy services](#) have on Amazon's foothold in the healthcare market?

The answers are not yet clear. What is clear is that health system employed physician models are not well-equipped to battle with corporate medical goliaths—at least, not in their current state.

*Gain insight on the action steps healthcare leaders should consider in part two of this blog series.* ●