

UPS quietly pushes into healthcare logistics

Article

The news: UPS entered the healthcare logistics space in stealth mode to help offset stagnating revenues in its core delivery business, according to Transport Topics.

Dubbed **UPS Healthcare**, the \$10 billion business accounted for about one-tenth of UPS' total revenue at the end of 2023. The company plans to double that figure by 2026 through acquisitions and new business ventures, like its latest undertaking, **Labport**.

UPS is renting out nearly 100,000 square feet near its main global air hub in Louisville, KY, which medical facilities can use as custom laboratory space. All of the available rental space is

already accounted for over the next decade.

Why it matters: Lab testing and diagnostics companies have saved on time and operational costs by renting space in UPS' healthcare hub.

- One such company is molecular diagnostics firm **HealthTrackRx**. The company moved its lab operations to be near UPS, which transports about 90% of its test samples.
- With shipping costs reduced, HealthTrackRx has been able to bring down the prices of its tests to about a quarter of what they were pre-pandemic and pass along downstream savings to customers.

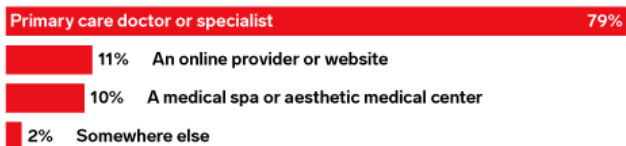
The bigger picture: **FedEx** and **DHL Group** are also pushing into healthcare logistics. We expect them to roll out healthcare hubs of their own to make the most of this opportunity.

In addition to lab testing and diagnostics, there are revenue opportunities in shipping medications that require refrigeration, such as the widely popular GLP-1 drugs **Ozempic** and **Zepbound**.

- UPS' operating margin for its healthcare business is in the high teens—far higher than the 10% for its overall business in 2023, per Transport Topics.
- Consumers are able to get prescriptions from GLP-1s from a growing host of sources—and in each instance, logistics services will be necessary to get these medications into patients' hands.

Sources Where US Adults Get Prescriptions for GLP-1 Drugs, May 2024

% of respondents



Note: among those who have ever used GLP-1 agonists; respondents could select multiple responses
Source: KFF, "Health Tracking Poll May 2024: The Public's Use and Views of GLP-1 Drugs," May 10, 2024

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