

Amazon RxPass isn't for everyone

Article

The news: Amazon Pharmacy launched RxPass exclusively for Prime members, offering a limited number of generic drugs for a flat fee of \$5 per month with no limit on the number of prescriptions.

How RxPass works: The RxPass has a few important limitations at the outset, which will limit its impact—at first.

- **Only Amazon Prime members are eligible.** If they use RxPass for 12 months, that's \$60 on top of the annual \$139 Prime fee. Consumers can't use **Health Savings** or **Flexible Spending**

accounts to pay the monthly fee, either.

- **Medicare and Medicaid beneficiaries** aren't eligible.
- RxPass is **available in 42 states**. Currently, residents of California, Louisiana, Maryland, Minnesota, New Hampshire, Pennsylvania, Texas, and Washington aren't eligible.
- The number of prescriptions per month is unlimited, but only if patients take any of the **60 generic medications offered** at launch. Conditions treated include allergies, high blood pressure, dementia, mental health, and skin conditions.

The opportunities: Consumers are **taking more daily medications** than ever before, according to a 2023 poll from CivicScience.

- 70% of consumers **take at least one prescription drug per day**, up from 56% daily medication users in 2019.
- **About one quarter (24%) of US adults** now take **four or more** medications daily, compared with 18% in 2019.
- **24% of consumers** who are prescribed medications **skipped taking those drugs** in the past year due to **cost concerns**, per the CivicScience survey.
- **70.7% of US households (93.0 million)** are **Amazon Prime members in 2023** and that number will grow to 74.1% (100.1 million) in 2026, we estimate.
- Amazon got into the direct-to-consumer (D2C) virtual care space in November 2022 with **Amazon Clinic**, a text-based telehealth service.

The challenges: Amazon Pharmacy's November 2020 launch caused a great deal of apprehension across the healthcare industry. But major players have since changed their game plans, new entrants have emerged, and Amazon Pharmacy didn't cause the disruption many feared.

- Pharmacy retailers **CVS Health, Kroger Health, Walgreens, and Walmart** have significantly boosted their in-store and virtual care services to include primary care, urgent care, and mental health services, among others.
- Online pharmacies like **DiRx Health** and **Mark Cuban Cost Plus Drugs** sell a wide range of generic medications for low, transparent prices.

- Pharmacy discount card programs are proliferating. **GoodRx** was an early leader in this space. It was recently joined by **SmartRx**, a division of cash-back and coupon platform Smarty, that also gives rebates for doctor and dentist visits, vaccines, and pet meds.

Our take: Amazon's advantage is its growing number of Prime subscribers. But RxPass' limitations exclude a lot of Americans, by geography or health coverage—or both.

The majority of US prescription drug spending comes from Medicare and Medicaid programs, which are not eligible for RxPass benefits.

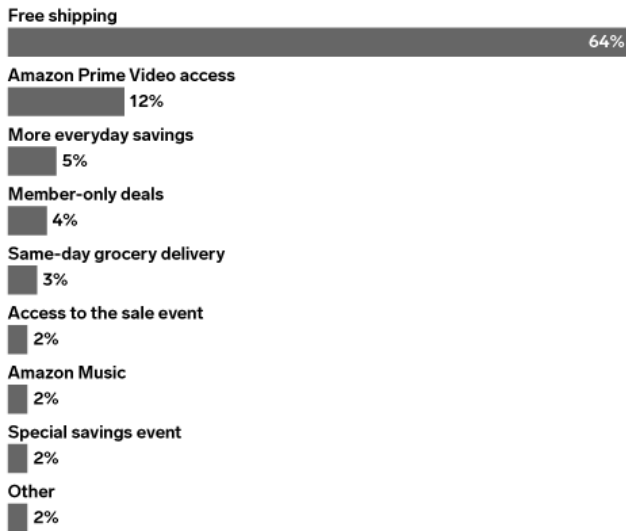
- **Medicare prescription drug spending** will hit **\$292.6 billion (47.7% of the US total)** in 2023. It will reach \$356.4 billion (48.8% share) in 2026, we estimate.
- **Medicaid prescription drug spending** will hit **\$83.4 billion (13.5%) this year**, reaching \$94.4 billion (12.9%) in 2026.
- By contrast, **consumer spending on prescription drugs**—including co-payments, cost-sharing, and out-of-pocket payments—will be **\$76.2 billion (12.3%) this year**, rising to \$96.6 billion (13.2%) in 2026.
- Insurers and employers will pick up the rest, spending **\$168.1 billion (27.1% share)** this year and \$183.1 billion (25.1%) in 2026.

And Amazon Prime members aren't motivated by cheap drug prices, according to a June 2022 report from PYMNTS.com. Most (64%) want free shipping, while only 12% value Prime Video access most. Prescription drugs didn't make the list.

Go deeper into the digital pharmacy market with our **[Digital Pharmacies 2022](#)** report.

Reasons US Amazon Prime Subscribers Subscribe to Amazon Prime, June 2022

% of respondents



Note: n=2,963
Source: PYMNTS.com, "Walmart+ Weekend: Prime Rival Or Trip To The Grocery Store?" July 11, 2022

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