

The DOJ cracks down on digital pharmacies' prescribing practices—here's what that means for Amazon, telehealth startups

Article

The news: The US Department of Justice (DOJ) announced that **Amazon's** digital pharmacy, **PillPack**, will pay nearly **\$6 million** to the US gov't to settle overbilling charges.

- The company admitted to dispensing insulin pens that exceeded days-of-supply to avoid Medicaid and Medicare limitations, per the DOJ.
- That resulted in overbilling the gov't for insulin shipments between 2014 and 2019. For context, Amazon acquired PillPack in 2018.

What this means: The federal gov't is cracking down on digital pharmacies' dispensing practices.

The Drug Enforcement Agency (DEA) began investigating ADHD pharmacy platform **Cerebral** after reports that it was prescribing Adderall and Ritalin to patients too often, per Insider.

- Insider reported that some patients set up multiple accounts to receive drugs like Adderall.
- The US federal government considers Adderall a controlled substance because of its potential for abuse.

What's next? Amazon's PillPack lawsuit and the federal investigation of Cerebral could signal the US gov't plans to take a closer look at digital pharmacies' prescribing practices this year.

Over the past two years, it's become easier to prescribe controlled substances virtually. That opened up new avenues for digital health companies to gain revenues.

- During the COVID-19 public health emergency, the DEA waived the in-person evaluation requirement for a controlled substance prescription—including ADHD meds.
- But there's no guarantee the government will extend this waiver once the public health emergency ends.
- In the meantime, digital pharmacies will have to abide strictly by prescribing regulations, or face financial penalties.

Will the crackdown affect Amazon's healthcare plans? Probably not.

For one, Amazon settled the DOJ’s allegations for nearly \$6 million. That’s just a slap on the wrist for a multi-billion dollar titan like Amazon.

Plus, Amazon is pressing the gas to expand its virtual care business (Amazon Care) to complement PillPack this year.

- In its recent earnings report, the tech titan said that it will offer 15 new cities in-person urgent and primary care this year, including Houston, Miami, New York City, and Phoenix.
- And Amazon already provides 24/7 telehealth services to employers across the US.

Its expanded primary care services will likely bolster customer adoption of PillPack. For example, Amazon physicians could conduct a telehealth appointment and during the same visit, recommend Amazon Pharmacy to patients for home medication delivery.

