

Why digital pharmacy startups need to tap pharmacy deserts to keep up with Amazon's PillPack

Article

The data: More than 40% of US counties (with roughly 41 million residents) are pharmacy deserts, where patients have to drive 15 minutes or more to reach the nearest pharmacy to obtain their prescriptions, according to a September 2021 report by [GoodRx](#). States like **South Dakota, Nebraska, and Kansas** have the largest number of counties with pharmacy deserts.

Why this matters: A lack of sufficient pharmacies is likely contributing to US' poor medication adherence, which comes with substantial healthcare costs.

- A lack of medication adherence causes nearly **10% of US hospitalizations**, placing significant strain on the US healthcare system: **It costs the US up to \$289 billion annually**, per an Annals of Internal Medicine review.
- And the farther a patient lives from a pharmacy, the less access they have to in-stock and low-cost meds, per GoodRx—which could cause a patient to forgo care altogether.

The opportunity: Digital pharmacies like **Capsule** and **Medly** are trying to mirror consumers' retail experiences to their healthcare experience by making it easier to compare prices and access meds.

- Both Capsule and Medly let consumers manage all their meds on their phone and track same day-deliveries, which are features consumers increasingly want: **About 49% of consumers wish their healthcare experience was smoother and more intuitive, like experiences with Amazon and Uber.**
- And digital pharmacy startups' tech-based approaches are paying off: **Capsule reached a [\\$1 billion](#) valuation** with its latest cash infusion, which it'll use to build out its platform.

What's the catch? Most digital pharmacy upstarts are operating in larger cities, though—which means giants with broader footprints like **Amazon Pharmacy** will be more likely to win over consumers in pharmacy deserts.

- Capsule offers its same-day delivery services in cities like **New York** and **Houston**, while virtual pharmacy **Alto Pharmacy** provides meds to residents in regions like the **Bay Area** and **Los Angeles**.
- Meanwhile, **Amazon Pharmacy operates in 45 states**, including states like **Kansas** and **Nebraska** with the largest pharmacy deserts. So, Amazon Pharmacy already has access to

millions more consumers who will likely use virtual pharmacies the most—which means digital pharmacy startups have a lot of ground to cover to compete with the tech giant.

We'll likely see digital pharmacy startups use their fresh capital to expand to states with pharmacy deserts over the next few years, which could help them reach up to **41 million new consumers** and reduce the threat from giants like Amazon and Dollar General: **Capsule plans to use its latest \$300M cash infusion to expand to new markets.**

