

Amazon bought a primary care disruptor for \$4B— we detail 3 ways this will beef up its healthcare presence

Article

The news: Amazon is acquiring primary care disruptor **One Medical** for nearly **\$4 billion**.

What's driving the sale? It could be the economic downturn—as we [predicted](#).

Earlier this month, One Medical was mulling a sale to **CVS**. At the time, we posited One Medical would likely seek shelter under a healthcare giant's roof as health tech companies like it become more financially cautious in an [era of economic uncertainty](#).

The One Medical deal will beef up Amazon's healthcare presence in 3 key ways:

1. Access to a ton of new employer clients.

It's been over a year since Amazon's telehealth business (**Amazon Care**) [scored](#) its first employer client.

- Amazon's employer partners include **Silicon Labs, TrueBlue, Hilton, and Whole Foods Market** (which Amazon owns).
- For contrast, One Medical partners with **over 8,000+ major employer clients** like **Google, Uber, and Airbnb**.

2. An entry point into direct-to-consumer (D2C) care.

Up until now, Amazon Care has only worked with employers. But our [prediction](#) that Amazon Care could expand to include D2C seems even more likely to occur post-acquisition.

- One Medical already has a large base of D2C virtual care customers Amazon could tap into.
- Amazon Care would be able to complement virtual care with its newly acquired brick-and-mortar clinics. One Medical's clinics are present in major cities like **New York, Chicago, Austin, Los Angeles, and Seattle**.

3. Growing its Medicare patient base.

As of last September, One Medical [owns](#) Medicare-focused primary care clinic **Iora Health**.

- Iora Health serves a massive Medicare base of **38,000** patients—which Amazon can now serve directly.
- New Medicare patients could also give Amazon a larger audience to market its senior-focused healthcare tools (like its [Alexa Together](#) elder care subscription service), too.

What's next? Amazon could set its eyes on a health insurance acquisition next to provide a connected ecosystem of care—but it won't be easy.

Red tape makes health insurance an extremely difficult business to build from the ground up. That means it would make the most sense for Amazon to acquire a health insurer like **Humana** to complete its care ecosystem.

Having an insurer under its belt could help Amazon compete with retail players like **CVS**, **Walmart**, and **Walgreens**. So far, CVS is the only major retailer to bring a legacy insurer like **Aetna** under its roof in a whopping **\$69 billion deal** finalized in 2018.

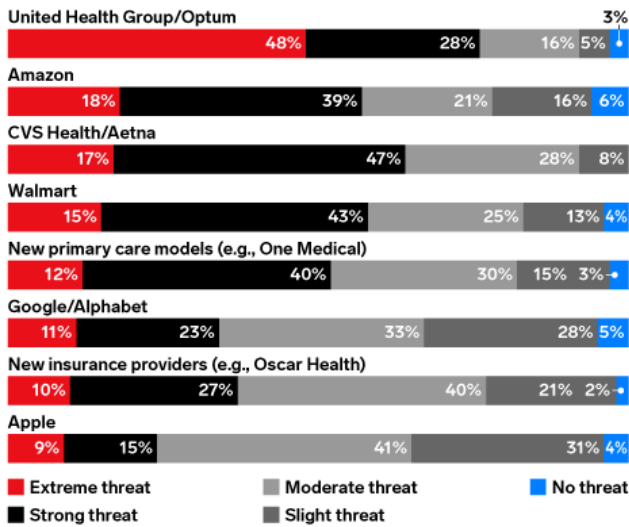
Digital Health Analyst Takes: Insider Intelligence principal analyst **Lisa Philips** and senior analyst **Rajiv Leventhal** weigh in with their takes on the news.

"Amazon is clearly looking to disrupt primary/retail healthcare and telehealth. Amazon was already in the primary care market with its Amazon Care virtual care offerings for enterprise clients. Now, its presence becomes much stronger as One Medical's services reach nearly 800,000 members across 25 US markets. This acquisition puts Amazon in close competition with CVS Health and Walgreens' primary care ambitions.

Amazon will likely look to expand into more US cities, and in the near term could bundle One Medical subscriptions with its Amazon Care offerings as it looks to reel in more employer clients. It also wouldn't be a surprise to see Amazon's next healthcare play to boost its Amazon Pharmacy with a pharmaceutical acquisition—and beyond that, buying an insurance company as CVS Health did with Aetna."

Degree of Competitive Threat Posed by Select Companies to US Hospitals and Health Systems According to US Health Executives, Summer 2021

% of respondents



Note: over the next five years

Source: Kaufman Hall, "State of Consumerism in Healthcare 2021: Regaining Momentum," Sep 8, 2021

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