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Amazon Enters the **Rx Space:** **What It Means** for You

On Tuesday, November 17, Amazon announced the launch of Amazon Pharmacy, a new store on their platform that allows consumers to complete a prescription transaction, as well as the Amazon Prime Prescription Savings Benefit.

Access the full announcement [here](#).

Amazon acquired PillPack in 2018, and the new offerings leverage PillPack's infrastructure and software, so this announcement doesn't come as a complete surprise. However, the announcement has implications for consumers as well as the broader Rx market.

What's New

Amazon Home Delivery Pharmacy allows customers to purchase their prescription medications directly from Amazon (instead of going to a retail pharmacy such as Walgreens or Walmart). Using a secure pharmacy profile, members can add their insurance information, manage prescriptions and choose payment options before checking out. Prime members receive unlimited, free two-day delivery on orders from Amazon Pharmacy included with their membership. Amazon Pharmacy is available to customers age 18 and older in all states except Hawaii, Illinois, Kentucky, Louisiana and Minnesota.

The **Amazon Prime Prescription (PrimeRx) Savings Benefit** gives Prime members access to savings (up to 80% on generics, 40% on brand names) on medications at over 50,000 participating pharmacies nationwide when paying without insurance, including Amazon Pharmacy. PrimeRx is a partnership with ESI's InsideRx subsidiary that offers a cash card (like Good Rx). Members also receive free two-day delivery.



Cash paying consumers stand to benefit most from Amazon's PrimeRx.

Additional details include:

- PillPack Home Delivery Pharmacy is in most PBM pharmacy networks (including ESI, Optum and CVS) and Amazon is positioning it as a “distinct service for customers managing multiple daily medications for chronic conditions”
- Patients can use the PrimeRx cash card or their prescription insurance card to pay for prescriptions, but not both
- ESI's InsideRx subsidiary also partners with GoodRx

Accessing Amazon Pharmacy Services

Amazon members can access Amazon Pharmacy Services by following these simple steps:

1. Go to Amazon.com
2. Search for AMAZON PHARMACY
3. Once on the Amazon Pharmacy Services homepage:
 - a. You can sign up
 - b. Request your prescriptions
 - c. Have medications delivered

Who Wins

Cash paying consumers (including patients in deductibles, on excluded prescriptions or without insurance) stand to benefit most from Amazon's PrimeRx. Access to a new option creates competition, which may ultimately lower cash prices even further.

Amazon's website also allows patients to compare their PrimeRx cash card price to the Rx insurance price (copay). This empowers customers to easily price shop for prescriptions on a familiar platform and purchase the lower priced option.

According to data published by the US Census Bureau, consumer spending on prescription drugs increased 31.8% between the first and second quarter of 2020. This, together with Amazon entering the Rx market and consumer familiarity with their platform, is the perfect storm for downward price pressure.

Who Loses

Retail pharmacies stand to lose market share if more patients use Amazon Home Delivery Pharmacy. The combination of fewer customers and greater competition could strain retail pharmacy margins even more.

Patients may lose because prescriptions purchased with a PrimeRx card instead of prescription insurance card will not count towards PBM accumulators such as deductibles and maximum out-of-pocket limits.

What We're Watching

Rx was a dynamic space even before Amazon's announcement. Here are some developments we'll be watching.

- How will PrimeRx vs. GoodRx cash prices evolve over time?
 - PrimeRx partners exclusively with ESI, so ESI could choose to give PrimeRx better discounts than they give GoodRx.
 - GoodRx does not own a home delivery pharmacy, so they don't compete with PBMs. Therefore, GoodRx's PBM partners could give them higher discounts in an effort to beat PrimeRx.
- Will Amazon start or buy a PBM?
 - This has the potential to really disrupt the PBM/pharmacy space.
- How might this impact the direct manufacturer distribution channel?
 - Will Amazon look to provide direct to consumer wholesale pricing?
 - Will Amazon provide manufacturers a higher margin, lower cost distribution channel?
- Will there be any impact on the various COVID-19 vaccines (access, cost, distribution)?

Our experts will continue to monitor activity in the Rx space and provide insights on key considerations for our clients. If you have any questions, please contact your NFP broker.



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