

Retailers Retool Healthcare Ambitions Amid Economic Challenges



Major retailers are reevaluating their ambitions to become healthcare providers, though they are not abandoning the market entirely. Instead, they are shifting their focus to areas where they can leverage their core strengths and avoid the heavy investments and challenges associated with primary care.

Economic Realities Shift Retailers' Health Care Strategies to Niche Services

Retailers initially saw the \$4.5 trillion healthcare market as a lucrative opportunity. However, the economic realities, including low reimbursement rates, increasing labour and supply costs, and workforce challenges, have proven daunting. As a result, giants like Walmart and Walgreens have struggled to convince patients to transition from traditional providers to their in-store health services.

The financial toll has been significant. Walgreens took a nearly \$6 billion writedown earlier this year, closing dozens of primary care clinics. After losing nearly a quarter-billion dollars, Walmart pulled the plug on its 51 in-store clinics. Similarly, Dollar General recently ended a pilot program with DocGo to bring mobile clinics to rural areas.

Moving forward, retailers will likely focus on healthcare services that consumers are accustomed to paying for out of pocket. Walmart, for example, continues to operate more than 3,000 vision clinics. Services such as certain dental procedures, aesthetic treatments, weight-loss drug management, and veterinary care are also potential areas of focus, according to Kate Festle, managing director at West Monroe. Festle suggests that retailers might target services that are currently trending in the retail health sector to capitalise on immediate gains while developing a broader healthcare strategy.

Strategic Partnerships and Support Services: Retailers' New Approach to Health Care

Experts anticipate retailers forming partnerships to explore new healthcare avenues rather than pursue acquisitions. Costco's collaboration with online platform Sesame to offer \$29 primary care visits is one such example. These partnerships, particularly with community organisations, can help build local patient volumes.

Retailers that support health care providers rather than delivering care themselves may be better positioned for success. Best Buy's partnership with health systems to provide Geek Squad services for home health devices is a case in point. Retailers can also capitalise on selling medical devices such as hearing aids, glasses, and continuous glucose monitors.

Amazon's integration of One Medical and Amazon Clinic with its online pharmacy PillPack is of particular interest. Michael Abrams, managing partner at Numerof & Associates, notes the potential of Amazon's subscription model, which generates predictable cash flow regardless of service engagement.

While it is challenging for retailers to succeed in health care, it is not impossible. Many are taking a step back to rethink their strategies, focusing on areas where they can make a meaningful impact without incurring substantial losses. As they recalibrate, the landscape of retail health care will likely continue to evolve.

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