

Amazon Once Inspired Fear in the Health-Care Industry. No Longer

Company insiders describe a culture of hubris that prompted the e-commerce giant to over-promise and under-deliver.

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Amazon.com Inc.'s Prime membership program began with speedy shipping, then video streaming. The latest perk—discounted access to a virtual doctor—is being pitched as another win for customers: medical care delivered as seamlessly as tube socks and television shows.

But it's a capitulation of sorts. Having spent almost a decade and billions of dollars trying to re-invent American health care, Amazon has settled on a decidedly traditional approach. The company runs doctors' offices and pharmacies itself, offering Prime subscribers a \$100 discount on memberships at One Medical, the concierge primary-care chain it acquired in February. In the highly regulated business of treating colds and dispensing pills, the strategy is a familiar one, albeit with some technology thrown in, and it disappointed industry observers who had hoped the company's long-awaited entry into health care would mean radical breakthroughs.

Over the past eight years or so, Amazon has started and abandoned multiple health-care initiatives. Haven, a joint venture with Berkshire Hathaway Inc. and JPMorgan Chase & Co. that sought lower corporate health insurance costs was shuttered after accomplishing little.

Amazon Care, a telehealth service that promised virtual access to doctors in minutes, was abruptly closed last year just 17 months after it was widely launched. In July, the company axed a line of wearable health and wellness devices after they failed to catch on with consumers.

Today, Amazon mostly relies on a pair of pre-existing businesses—One Medical and PillPack, a mail-order pharmacy acquired in 2018. Both are well liked by patients but largely duplicate existing services and were unprofitable before Amazon bought them.

Fellow tech-industry behemoths such as Apple Inc. and Google parent Alphabet Inc. have also poured time, talent and billions of dollars into their own attempts to disrupt the famously entrenched health-care industry, with equally underwhelming results. [Apple](#) has started, delayed and abandoned multiple projects, including a glucose monitor and consumer health-care clinics. Google meanwhile has launched an array of initiatives such as glucose-measuring contact lenses and a platform for early heart-failure detection. None have significantly improved health-care offerings or outcomes for patients; all have been modified or scaled back.

To understand why Amazon hasn't made more progress, Bloomberg interviewed dozens of current and former employees, patients,

competitors and industry analysts who closely followed the company's efforts to break into health care.

Current and former personnel describe a culture of hubris, fed by the faith that Silicon Valley-style invention could outsmart industry incumbents. Time and again, these people say, Amazon ceded control to managers with little or no health-care experience, often ignoring advice from industry experts recruited to help guide the effort. Debates over strategy consumed years, so by the time Amazon debuted such innovations as online doctor visits, speedy drug delivery and generic drug discounts, they were already commonplace.

Neil Lindsay, the veteran executive who leads Amazon's Health Services group, disputed elements of that critique. "I actually think that we are approaching this with a lot of humility," he said in an interview. "We're going to have some hits and misses, and we're OK with that experimenting and learning."

But Wall Street is growing impatient with all the experimentation. Mark Shmulik, an analyst with Sanford C. Bernstein, wrote a research note in June criticizing Amazon for making too many speculative bets outside of the company's area of expertise, including what he sees as a vague, self-imposed mandate to "figure out health care." In an interview, Shmulik said the company should narrow its focus and cut spending on health initiatives. "I'm always highly skeptical of trying to take too big of an approach to health care," he said.

Amazon Chief Executive Officer Andy Jassy has told investors that health care is among the company's biggest long-term investments, one of just a few areas where success could move the needle for a company expected to generate more than \$500 billion in sales this year. Amazon's health-care efforts stretch back to at least 2015, when the company recruited Kristen Helton to join Grand Challenge, an in-house incubator for the kind of big, outlandish bets that then-CEO Jeff Bezos hoped would propel his company beyond online retail.

A bioengineering PhD, Helton had co-founded a startup that built skin implants designed to monitor oxygen, glucose and other body chemistry markers. Not long after joining Amazon, Helton proposed a primary-care service that would let people see a doctor through an app, with a few taps on their phone. The idea was approved, and she began hiring and putting a team together.

Adhering to long-standing practice, executives borrowed talent from other teams, including the cloud division, and unleashed them on the exciting new project. Brimming with confidence, dozens of managers and software engineers joined Helton's team. They quickly proposed building many of the health-care industry's tools from scratch, including prescription-writing software and an electronic health records system. Health-care veterans on staff steered them away from most of those efforts, which they feared would be costly and duplicative, in favor of working on tools that directly impacted primary care. The debates, however, ate up months.

By 2021, Amazon was rolling out products from its moonshot lab, including a kids videoconferencing device and virtual travel program.

That spring, about five years after Helton was recruited, the company launched Amazon Care. The service looked a lot like the original pitch. After downloading the Care app, patients could start a text chat with a nurse or request a virtual visit or in-home care. There was one big departure, though: You couldn't simply see a doctor. Your employer had to sign up first. Care's first business development chief, Nicole Bell, had recommended selling the new service to corporate benefits departments. Amazon, the would-be disruptor, would go through the existing system.

The first customer was Amazon itself. Feedback from patients was almost universally positive. Jassy, who had expressed some skepticism about the service's business model, loved it, according to someone briefed on his reaction. But Amazon had a hard time persuading other companies. Corporations tend to buy health care for their employees as part of a laborious, years-long process. The upshot: Amazon had arrived on the scene with a product that looked a lot like existing telehealth services, and few companies were willing to upset established relationships for a newcomer with no track record.

The service did manage a few big signings. Precor, a Peloton fitness equipment subsidiary, was the first outside customer. Months later, the team celebrated when they signed Hilton, the hotel chain, and Care Medical staffed up on nurses to handle an expected rush of new patients. But business remained slow, according to former Amazon Care nurses. Some potential corporate customers backed out because Amazon wouldn't let them end the contract if the service didn't meet usage goals. Others wanted proof that Care lowered costs. Strikingly

for a company that prides itself on a ruthless adherence to data, Amazon salespeople had little empirical evidence to offer, only glowing testimonials from its own employees.

Amazon Care slowly picked up corporate customers. But clinicians and Care salespeople say few employees from those companies were actually using the service. An Amazon Care nurse based in the Midwest says she would go hours without seeing a patient and was essentially paid to do nothing.

By then, Amazon was mulling an entirely different plan. Health services chief Lindsay had for years frequented One Medical, which courts urban professionals with sleek doctor's offices, an app and an Amazon-like mantra to keep patients happy. While the chain had never turned a profit, it boasted 8,500 corporate clients, including Alphabet. "We have always sort of kept our eyes open and, you know, I guess one thing led to another," said Lindsay, who suggested Amazon acquire the company.

The One Medical deal was a surprise—not least to Amazon Care employees. Many had already been fretting about their futures. Helton had left months earlier, replaced by a Kindle veteran named Aaron Martin, who'd previously been chief digital officer at Providence, a health system headquartered in the Seattle area. Martin soon began preaching profitability, prompting some of his underlings to suspect that Amazon Care was in trouble. A few months later, they learned via pre-recorded video that the business was closing. Care shut down in December. About 400 people in Washington state lost their jobs, along with hundreds more elsewhere.

Amazon's Key Health Care Offerings

Source: Bloomberg reporting

Amazon Pharmacy has also struggled to differentiate itself from what's already available at CVS, Walmart or Mark Cuban Cost Plus Drug Co. The online drug store was built atop PillPack, which pioneered mail-order delivery. It uses a highly automated system to sort medications into packets strung together into a long, segmented ribbon and ship them to customers. Patients tear open a pack when it's time for the next dose until the roll is finished, at which point a new one arrives—a feat of coordination PillPack orchestrated among insurance companies, drug suppliers and doctors. For customers, the PillPack model alleviated the anxiety of keeping one's pills straight.

Analysts generally applauded the [acquisition](#), but the PillPack integration got off to an inauspicious start. After merging existing personnel with PillPack's to form a new online pharmacy division, the company asked Nader Kabbani to lead the unit. The longtime Amazon executive, who had worked on logistics and the Kindle e-reader, lacked the health-care expertise to make major decisions without consulting PillPack founders TJ Parker and Elliot Cohen. Months later, Parker started reporting to the company's retail chief instead. Kabbani, who left Amazon earlier this year, declined to comment.

At the same time, Amazon wanted to display meds online much the way it does regular merchandise, with transparent pricing that included what kind of discount it was offering. That was never going to be easy because drugs, highly regulated products whose prices vary depending on the manufacturer or insurer, didn't fit neatly into the software powering Amazon's retail website. And when Amazon

Pharmacy launched in November 2020—29 months after the PillPack acquisition—it lacked some of the price-transparency features executives wanted.

The service’s prescription discount card also relied on drug prices negotiated by InsideRX, a unit of pharmacy giant Express Scripts Inc., the very definition of an industry incumbent. As such, the site was a disappointment to some health industry critics. “Perhaps Amazon will one day become a true disrupter,” Adam Fein, a consultant who studies pharmaceutical economics, wrote after the launch. “For now, Amazon is choosing to join the drug channel, not fundamentally change it.”

Eventually, Amazon figured out how to show patients the price of a specific drug—a true innovation, Parker says. But it wasn’t long before rivals were offering similar tools. In August, GoodRx debuted a tool that lets doctors check the price before they prescribe the drug—also taking the patient’s insurance coverage into account.

The One Medical deal with Amazon was sealed in February. *Photographer: Justin Sullivan/Getty Images North America*

Since then, Amazon has added sweeteners to persuade Prime subscribers to use the pharmacy service or sign up with One Medical. RxPass, which launched in January, ships patients any of a list of 53 generic medications for \$5 a month. Amazon says the all-you-can-prescribe plan has drawn attention to its pharmacy arm, but the company isn’t the first to try this. Walmart and Mark Cuban Cost Plus, among others, already offer cheap generics. CVS and Walgreens, meanwhile, have stores on thousands of street corners, offering the

prospect of on-the-spot help when someone is ill. The fine print of the Amazon Pharmacy website even recommends that people with urgent needs visit a physical pharmacy. Amazon has yet to open one of those, though it's testing speedy delivery of medicine as part of drone-delivery trials in Texas.

Sensor Tower, a market intelligence firm, estimates that monthly active users of the One Medical smartphone app are up 16% in the months since the deal, compared with the same period a year earlier. Gauging Amazon Pharmacy's progress is difficult. Amazon says the unit doubled its active customers from 2022 to 2023, without providing more specific data. Three people who worked for PillPack say demand after Amazon Pharmacy's launch fell short of the company's expectations. "It really hasn't made a big dent," said Lisa Phillips, principal analyst with Insider Intelligence, which, relying on data from Kantar MARS, estimates that 8% of US drug purchasers have used Amazon. "I don't think anybody is scared of it anymore."

PillPack co-founder Parker, who left Amazon in September 2022, says the company's deals to become the default pharmacy for some insurance plans are major developments that have gone relatively unheralded. He concedes Amazon is not yet a major player in health care but says it's farther along than any of companies that got into the business when PillPack did.

"That in and of itself is I think a success, and they'll continue chipping away at making it better," said Parker, who is now a general partner at the venture capital firm Matrix Partners.

In the meantime, Amazon continues to roll out new health programs. One is Amazon Clinic, a text and video chat-based care service that charges \$30 to \$80 a visit and doesn't accept insurance. Unlike Amazon Care, which required the company to hire hundreds of doctors and nurses and stock home offices with expensive computers and medical equipment, Clinic is a marketplace, with Amazon playing the middleman—a familiar role for a company that already hosts millions of merchants on its retail website. “If we can make a few things a little bit easier for a lot of people, that’s going to go a long way to saving time, saving money, and getting better health outcomes,” Lindsay said. “Of course, our ambitions are bigger than that, and we can see some areas where we can make it a lot easier for many.”

Amazon Clinic hands off patients to doctors affiliated with four health-care providers. Physicians tending to minor complaints like acne might spend 90 seconds with a patient using the text chat interface, compared with 15 minutes for an office visit, says Matt Hodges, a vice president at Florence Labs, which offers similar services. Moreover, doctor and patient need not be logged on at the same time, and the work can be handled during slow periods of the day.

Amazon hopes Casey Peters’ experience will become the norm. About a year ago, the 42-year-old, who lives outside San Antonio, Texas, needed to renew a cholesterol prescription after switching physicians. Peters went to Amazon Clinic’s web portal, uploaded a photo of his pill bottle, ticked a few questionnaire boxes and submitted his request. Twenty-one minutes later he received an email linking him to a doctor in a Slack-like chat. The physician quickly greenlit the prescription. Amazon Pharmacy delivered it the next day. “They kind of nailed it,”

Peters said. Earlier this year, attracted by Amazon's offer of a discounted one-year membership, he and his wife also signed up for One Medical.

— *With assistance from Spencer Soper and Robert Langreth*