

Healthcare Technology & Distribution

Amazon Pharmacy selected to dispense prescriptions for LillyDirect

Industry Overview

The News: Lilly selects Amazon Pharmacy for dispensing

This morning, Amazon announced that Eli Lilly (LLY, covered by Geoff Meacham) has selected Amazon Pharmacy as a dispensing pharmacy option for home delivery of select medications through LillyDirect. For reference, LillyDirect was launched in January and connects patients with an independent telehealth company to prescribe drugs such as Zepbound and other weight-loss drugs if eligible. Once a patient receives a prescription, the patient can request the independent telehealth provider or health-care professional to select LillyDirect as the pharmacy to dispense the medication. The prescription is then routed to LillyDirect which facilitates prescriptions to be processed and mailed directly to consumer's homes through Amazon Pharmacy or Truepill. Amazon pharmacists also provide support services such as medication management, guidance on administration techniques, drug interactions, side effects, and cost considerations. Additionally, Amazon pharmacists can assist with reminder tools to help patients remain consistent with medication schedules and are available 24/7 to respond to questions and support care. Amazon Pharmacy offers free two-day deliveries to patients with an Amazon Prime membership which can be applied if they use LillyDirect. The financial terms of the Lilly and Amazon partnership were not disclosed.

Why It Matters: Consumer preferences are evolving

Amazon's entrance into the pharmacy space has been underwhelming, but we think today's news will be important to monitor. Consumer preferences are evolving and the "virtual physician visit to pharmacy home delivery" model is growing in relevance. Amazon acquired PillPack, a mail order pharmacy in June of 2018. Amazon has struggled to take material market share away from traditional pharmacies for one key reason: there isn't an obvious reason for patients to switch pharmacies. For example, if the pharmacy on file at a patient's doctor is CVS or Walgreens, it would require extra work to switch to Amazon's pharmacy. If a patient orders maintenance medications that are mailed by its PBM's mail pharmacy once a month directly to their home, how would switching to Amazon be more convenient? It wouldn't. Today's announcement may be different. LillyDirect allows patients to see a physician virtually and get medications shipped directly to their house. This entirely virtual model exploded during COVID by necessity, but the model has persisted post COVID due to convenience. For example, HIMS allows patients to obtain prescriptions for hair loss, erectile dysfunction, dermatology and other indications without ever seeing a physician in person. HIMS' growth has been explosive due in large part to this convenience factor. These new models reflect a shift in consumer preferences that accelerated dramatically during COVID. Many consumers prefer to take care of medical conditions without seeing a physician in person if possible. Back to LillyDirect and Amazon. Patients taking GLP-1 drugs for the first time in 2024 could be introduced to Amazon's mail pharmacy for the first time which could potentially create greater awareness of the platform. We think these trends are worth monitoring. Separately, LillyDirect's model does not circumvent the insurance process and we would expect prior authorizations to remain robust, benefitting McKesson's CoverMyMeds business. Additionally, we note that Cencora is Amazon's drug distributor.

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