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Guest Column: The Disruptors Are Getting Disrupted — 5 Takeaways

By The American Hospital Association

If recent developments are any indication, it appears that primary care disruptors are being disrupted. Regulatory complexities, reimbursement challenges, escalating operating costs, competition for physicians and other factors are taking the steam out of some of retail's largest companies that once were brimming with optimism.

Walmart's announcement last week that it will close its 51 health centers in five states and exit virtual care services stunned many observers. Only five years ago, the mega-retailer was touting its business model of bringing convenient access and low-cost primary care to millions of its customers. And just last year, it added 17 primary care centers in Florida.

Now Walmart says there is not a sustainable business model to continue.

Facing health care's harsh economic realities

Walmart is hardly the only company waylaid by health care's economic and business challenges. Just days earlier, UnitedHealth Group's Optum subsidiary said it would shutter its virtual care business after a three-year run. Some analysts called the move predictable, attributing it to challenges brought on by market saturation and differentiation challenges. The company, however, still remains a force in the direct care marketplace, employing the most physicians in the field.

Meanwhile, Walgreens continues to reshape its health care strategy. The retailer, which owns a 63% stake in primary care provider VillageMD, is closing 160 of its health clinics and took a $6 billion write-down last month in the value of its investment in the company. Contributing factors included slower than expected patient volume growth and changing Medicare reimbursement models.

And telehealth provider Teladoc, once the darling of Wall Street, has been battered financially as virtual care has become mainstream in a field flooded with competitors. Its stock, which peaked at $294 a share in February 2021, was selling for under $13 per share on May 1.

5 takeaways on the thinning herd of primary care disruptors:

1. The need to disrupt primary care remains. Whatever the shortcomings among the strategies of Walmart and others, they weren't wrong about the need to dramatically alter the primary care landscape.

The fact remains that nearly one-third of Americans — more than 100 million — lack access to primary care, notes a 2023 report from the National Association of Community Health Centers. Addressing the needs of these medically disenfranchised people can help hospitals and health systems prevent chronic illnesses and identify risk factors for serious conditions.

2. Primary care must be viewed as more than a profit center. The truth is: Primary care is hard. The singular purpose of providing patients access to high-quality primary care leaves no room to squeeze profit out of a primary care practice. If the latter is your purpose, it will be difficult to sustain based on our current system, noted Andy Shin, senior vice president of strategy at Mass General Brigham, shortly after the Walmart news broke. Building a positive primary care relationship is key to higher-quality, personalized care; early identification of risk factors for disease; and coordination and continuity of care.

3. An opportunity exists for providers. Walmart's exit from the market and other recent developments previously noted could create a temporary void that can be filled by providers who are community-focused and take innovative approaches to meet consumers' needs for quick turnaround, on-demand services that typically aren't supported by traditional primary care.

4. The law of the jungle still applies. Retailers are learning painful lessons that traditional care providers have long known. Only the fittest and most committed to meeting patients' needs consistently excel in health care. Any emergency medicine physician in a hospital will tell you that health care is expensive and treating patients who haven't been seeing a doctor is not a simple transaction. In this regard, size may help but it can't guarantee success, as Walmart learned.

5. All eyes turn to Amazon and CVS Health. Both companies continue to invest in their health care strategies and have cast a wider net than their peers in their health care aspirations that extends far beyond primary care. Amazon, for instance, has invested heavily in the health care supply chain, cloud services, pharmacy and artificial intelligence and will use its platform to connect consumers to other telehealth providers in the marketplace. CVS owns a major insurance plan in Aetna, has extensive health services, pharmacy and wellness divisions as well as other operations.

Yet, it remains to be seen how sustainable these companies' strategies will be as their earnings in health care fall under increased scrutiny from investors.

LEARN MORE: Download Market Scan's 2024 Health Care Disruption Outlook for more on how major retail and tech companies will try to transform the field in the year ahead.

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