



Walmart abandons healthcare strategy

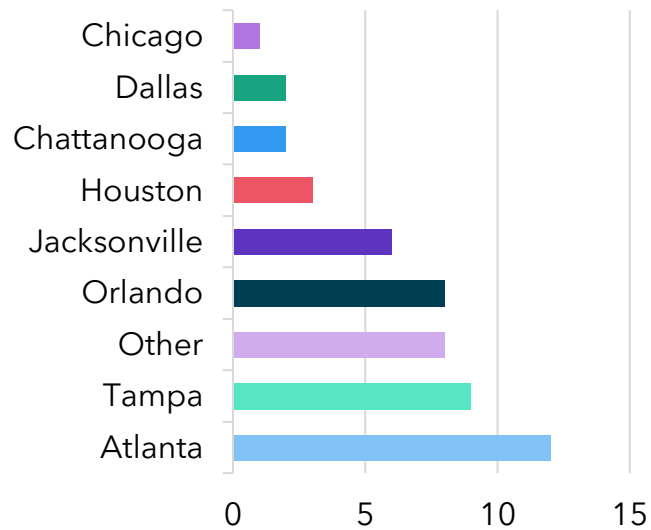
Market Event Summary

Michelle La Vone | May 2024

Walmart pins exit strategy on 'unsustainable business model'

Walmart unwinds clinic operations

Walmart announced in April 30, 2024, it is closing all 51 health centers in Arkansas, Florida, Georgia, Illinois, and Texas and ending its virtual care business due to the "challenging reimbursement environment"* and "escalating operating costs," which may have included physician recruitment costs in the highly competitive (and highly underserved) national primary-care market.



of Walmart Health clinics as of April 30, 2024

Background and context

The big box behemoth had a conservative start in healthcare, quietly piloting walk-in clinics (called Care Clinics) a decade ago, followed years later by the arrival of the larger-scale concept, Walmart Health. The first Walmart Health opened in 2019 in Dallas, Georgia, promising "great value, regardless of insurance coverage." But by August 2020, Walmart was still figuring out its go-to operational strategy for square footage and equipment. As other retailers like CVS Health, Walgreens, and Amazon evolved care delivery strategies through acquisitions and aggressive expansions (CVS through HealthHUBs, Walgreens through VillageMD, Amazon through One Medical), Walmart Health waded through executive turnover and poor clinic management. It was not until 2023 that Walmart Health expanded beyond 32 clinics (fewer than the number of One Medical clinics in San Francisco alone). That same year, Brian Setzer, a former executive at the integrated payer/provider Highmark Health, replaced Dr. Cheryl Pegus as executive vice president of health and wellness.



Patients

Patients who rely on Walmart Health for primary care, dental, and behavioral health services will experience fragmentation of care, leading to potential care delays; self-pay patients in underserved communities may now struggle to find accessible, affordable care.



Pharma

Patients facing treatment disruptions are at a higher risk of not adhering to their medication regimens; the lack of an on-site prescriber means missed opportunities for drug sales.



Providers

Walmart Health provides employment opportunities for independent physicians and midlevel providers, physicians, therapists, and dentists, as well as population health management opportunities for partners like Orlando Health.



Payers

The loss of chronic disease management touchpoints reduces providers' abilities to help prevent costly medical complications; Walmart Health provides partnership opportunities for payers like Ambetter from Sunshine Health, which places Walmart on a preferred tier to drive utilization away from more expensive care sites.

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Strategic implications

- **Industry norm**

Walmart's previous plans to expand primary care came as other retailers like CVS Health and Walgreens retooled their retail health strategies to downsize and/or refocus efforts on markets of strategic growth. Walmart's impetus to invest more deeply in Walmart Health likely stemmed from increased competition with e-commerce giant Amazon, which recently began offering discounted One Medical memberships for Amazon Prime members.

- **Patient behavior**

Patients are likely to remain retail and pharmacy customers, although they may turn to Amazon for virtual health services.

- **Pharma perception & reaction**

Makers of drugs commonly used to treat chronic diseases may see a near-term dip in drug sales from the loss of on-site and virtual prescribers at Walmart. While Walmart Health has a miniscule footprint, existing in ~1 percent of Walmart's 3,560 domestic supercenters, opportunities to reach patients via Walmart's virtual health platform are much greater.* Even so, the shuttering of Walmart Health does not indicate a move away from pharmacy operations and, therefore, should not change Walmart's ability or willingness to engage with drugmakers on partnerships—especially as Amazon explores a new partnership with Eli Lilly for obesity drugs.

Factors for consideration



Walmart's reversal of its primary-care expansion strategy comes a few months after Walgreens announced a \$1 billion cost-cutting strategy that includes shedding approximately 160 underperforming VillageMD sites largely due to low patient volumes. CVS also has shuttered nearly 30 MinuteClinics in Southern California and New Hampshire as part of a massive downsizing plan first announced in 2021.



Walmart Health operates the largest number of clinics in Georgia and Florida. Both states have a higher-than-average number of Medicare Advantage recipients—an ideal patient population to test value-based care—but also a volatile population subjective to the whims of annual federal reimbursement changes. In 2023, Walmart began a 10-year collaboration with UnitedHealthcare to help Walmart clinicians deliver value-based care using Optum's analytics and support tools. Part of the collaboration even involved a co-branded Medicare Advantage plan in Georgia that launched in January 2023 but quietly shut down after only one year. The loss of Walmart Health comes on the heels of Optum announcing the closure of its own virtual health business.

Open questions

Is the recent attrition in retail health suggestive of an inflection point that will return primary care to IDNs, innovative provider groups, and payers, which continue to portion out their pieces of the patient pie?*

Will Walmart and UnitedHealthcare pivot their clinician-centered collaboration to one that prioritizes pharmacist and patient interactions—including at Walmart's Specialty Pharmacies of the Community—to help drive down costs for Optum-owned physician groups and increase overall drug sales?



Michelle La Vone

Lead healthcare research & data analyst

LinkedIn:
<https://www.linkedin.com/in/mlavone/>

Email:
Michelle.lavonerichardson@clarivate.com

- **Author bio**

Michelle La Vone has been with Clarivate (formerly Decision Resources Group) since 2013. She analyzes the Texas and Georgia healthcare markets and tracks the rapidly evolving convenient care industry. She has been interviewed by [HealthLeaders Media](#), [Specialty Pharmacy Continuum](#), and [The Tennessean](#).

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- **Did you know?**

Michelle initiated tracking of retail clinics in 2015, a year after Rite Aid acquired the now-defunct RediClinic. The effort has since evolved to a robust database in collaboration with fellow analyst Renée Burnham that includes thousands of payer-owned providers and retail health locations across the country.



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healthcare.support@clarivate.com
clarivate.com

+1 215 386 0100 (U.S.)
+44 (0) 20 7433 4000 (Europe)

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