Walgreens Owned VillageMD Rethinks its Strategy



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VillageMD recently announced plans to exit the Illinois market in April 2024, only one week after VillageMD announced that it is closing all its clinics in Florida, and after already pulling out of New Hampshire and Indiana in January and Massachusetts in February. Walgreens acquired a majority stake in VillageMD in 2021, promising to open hundreds of clinics attached to Walgreens stores over the following several years, a model that Walgreens had touted as a way to encourage better collaboration between physicians and pharmacists and a way to offer convenience for patients. However, analysts have observed that Walgreens has begun to move away from this model, with more than 80 clinics that are attached to Walgreens stores either closing or set to close this spring.

Walgreens' investment in VillageMD is consistent with several other large retailers looking to take market share in healthcare services from traditional providers, including CVS, Walmart, Kroger and Amazon, who have attempted to leverage brand recognition and convenience to attract patents, each with mixed results. Clinics attached to retail stores face certain challenges, especially in highly competitive markets like Florida, including size limitation in existing stores that make it difficult to provide a wide array of medical services and the stigma felt by clinicians about working in retail store locations. As a result, Walgreens, along with Amazon, CVS and Kroger, have all begun to reassess how they operate their healthcare provider businesses and have begun to move away from the colocation model.

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For more information, contact:
Isabelle Bibet-Kalinyak, Vice Chair | 973.403.3131 | ibibetkalinyak@bracheichler.com

Jonathan J. Walzman | 973.403.3120 | jwalzman@bracheichler.com