

GLOBAL SITUATIONS AND CHALLENGES BY TECH GIANTS IN ENTERING THE PRIMARY HEALTH CARE SECTOR

— PROVIDING NEW VALUES INCLUDING “VIRTUAL HEALTHCARE ECOSYSTEM” FROM CONSUMERS' PERSPECTIVE —

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SUMMARY

- With Primary Health Care (PHC) being promoted worldwide, tech giants are making use of their digital technology and extensive consumer touchpoints to enter this field, especially in the United States, China, and ASEAN countries.
- For medical institutions and the traditional healthcare and wellness industry, the entry into PHC by tech giants can be viewed not only as an attempt to go beyond the industry but also as an attempt to provide customer-driven new values and business opportunities.
- In response to diversifying choices for consumers, it is important to introduce digital technology and create new consumer touchpoints such as smartphone apps. In a “virtual healthcare ecosystem” that connects online and offline healthcare services, medical institutions, IT/insurance/pharmaceutical/medical device companies, and health-related industries are expected to become borderless, and companies are likely to increasingly form alliances and consolidate their businesses.

INTRODUCTION

1.1 WHAT IS PRIMARY HEALTH CARE (PHC)?

In a broad sense, “primary health care (PHC)” is to meet the health needs of individuals and families across an entire society, under a philosophy of health care for all. In a narrow sense, PHC refers to easily accessible health care services that not only provide treatment but also coordinate total health services for each individual. WHO estimates that scaling up PHC interventions across low- and middle-income countries could save 60 million lives and increase average life expectancy by 3.7 years.¹ It is also encouraging each national government to allocate 1% of GDP to PHC. Reducing healthcare costs and building sustainable healthcare systems have become prominent social issues, and the focus on PHC is now a global trend. Given this situation, tech giants, which already have extensive touchpoints with consumers, are looking to help meet the diverse needs of health-conscious people using a one-stop approach. With healthcare deregulation being accelerated due to the COVID-19 pandemic, tech giants are utilizing their digital technology and distribution networks to provide various home health services to consumers who are hesitant about visiting a hospital or going outside. These services include telehealth (video care, care chat), home visit services, online pharmacies, social services, and e-commerce.

1.2 BACKGROUND FOR TECH GIANTS ENTRY INTO PHC

In the United States, public health insurance (Medicare, Medicaid) coexists with private health insurance. Both emphasize PHC to reduce healthcare costs. While medical institutions, telehealth companies, drug stores, and

¹ WHO website <https://www.who.int/news-room/fact-sheets/detail/primary-health-care> (accessed on January 27, 2022)

supermarkets have already been in the US PHC market, tech giants like Amazon have recently started their entry into this market. The US market can now be described as a PHC battleground. In China, private tech giants (such as Ping An Good Doctor) are swiftly entering the market in order to reduce regional disparities in healthcare. Chinese public medical institutions are also accelerating their adoption of digital technologies. In ASEAN countries, starting with Indonesia, which is strengthening digital-related measures in the healthcare sector, PHC services are growing via taxi booking smartphone apps (so called Super Apps such as Gojek and Grab). Meanwhile, in Europe, the multi-national development of Britain's Babylon Health is attracting attention. However, due to strict personal information protection laws and differences in national healthcare systems, an oligopoly of major platform companies is not yet taking shape. In Japan, the use of the social media app LINE to deliver healthcare services has expanded during the pandemic. Also, discussions have begun toward making telemedicine permanent, affected by the government's deregulation policies. Nevertheless, due to issues related to medical reimbursement and other factors, online PHC services are still limited. This report will look at the situations and challenges in the United States, China, and ASEAN countries (Indonesia in particular), where PHC services are being launched by tech giants (Figure 1).

Figure 1. PHC market entry by tech giants in the US, China, and ASEAN (Indonesia)

	Business examples	Overview	Online medical care	Home visit services	Online pharmacies	Social services	e-commerce
USA	Amazon Care	In 2019, online services such as telehealth, preventive care services, online pharmacy and home visits (in some areas) were launched for Amazon employees and their families in the United States. The company now plans to expand the services across the country.	○	○	○		(Amazon Care and Amazon Prime are separate apps)
	Cityblock Health	As a spin-off of Alphabet's smart city project, Cityblock Health provides PHC services mainly for Medicare/Medicaid. Based on the philosophy that "Health is local," Cityblock provides telehealth, home visit, mental health care, etc. It has also set up "neighborhood health hubs" to provide community-based social services such as transportation, finances, foods and housing support. These hubs provide a foundation to support healthy living.	○	○	○	○	
China	Ping An Good Doctor	A member of China's Ping An Insurance Group, Ping An Good Doctor has built a huge virtual healthcare ecosystem that provides health insurance, telehealth, online pharmacy, health management services, and e-commerce (with more than 3,000 affiliated healthcare providers, and 163,000 pharmacies). The number of registered app users exceeds 400 million (as of June 30, 2021).	○		○		○
	Medlinker	Medlinker is an Internet hospital specializing in chronic diseases. It was established in 2014, funded by Tencent Holdings. Services are provided through an app and include telehealth, online pharmacy, and health management services. Since it specializes in chronic diseases, it has many repeat patients and close partnerships with pharmaceutical companies.	○		○		○
ASEAN (Indonesia)	GoMed	In 2017, Gojek partnered with a telehealth services provider Halodoc. They established GoMed as a one-stop app-based telehealth service. In Indonesia, telehealth companies are not permitted to operate pharmacies. Therefore, prescription drugs are delivered by affiliated neighborhood pharmacies using the expertise of the Gojek ride-hailing app.	○		○		○
	Grab Health	Ride-hailing app Grab partnered with Ping An Good Doctor in 2018 to develop GrabHealth, which provides telehealth services through the Grab app in Indonesia (also launched in Thailand as Good Doctor Technology Thailand). It partners with over 10,000 physicians, more than 2,200 pharmacies, and more than 1,000 medical institutions online.	○		○		○

Source: Compiled by MGSSI based on corporate websites and interview surveys (in January 2022)

2 US MARKET TRENDS

2.1 AMAZON IS EXPANDING AMAZON CARE

In 2019, Amazon Care began providing various services such as telehealth, home visits, online pharmacy, and preventive care services for Amazon employees and their families.² The company plans to expand it nationwide. The goal is to meet all kinds of health needs by providing services that can be easily accessed 24 hours a day, 365 days a year. Amazon's strength lies in its enormous number of Amazon Prime members, but success will depend on how it directs the retail customers to Amazon Care. An online pharmacy with prescription drug logistics is expected to become a source of revenue, but there are many competitors. Allowing customers to cover the cost of the various services with their health insurance will help boost the number of users as well as profits. As such, cooperation with health insurance companies will also be critical.

² Home visit and online pharmacy services are only available in certain areas of the US, according to Amazon Care.
<https://amazon.care/faqs> (Accessed on February 8, 2022)

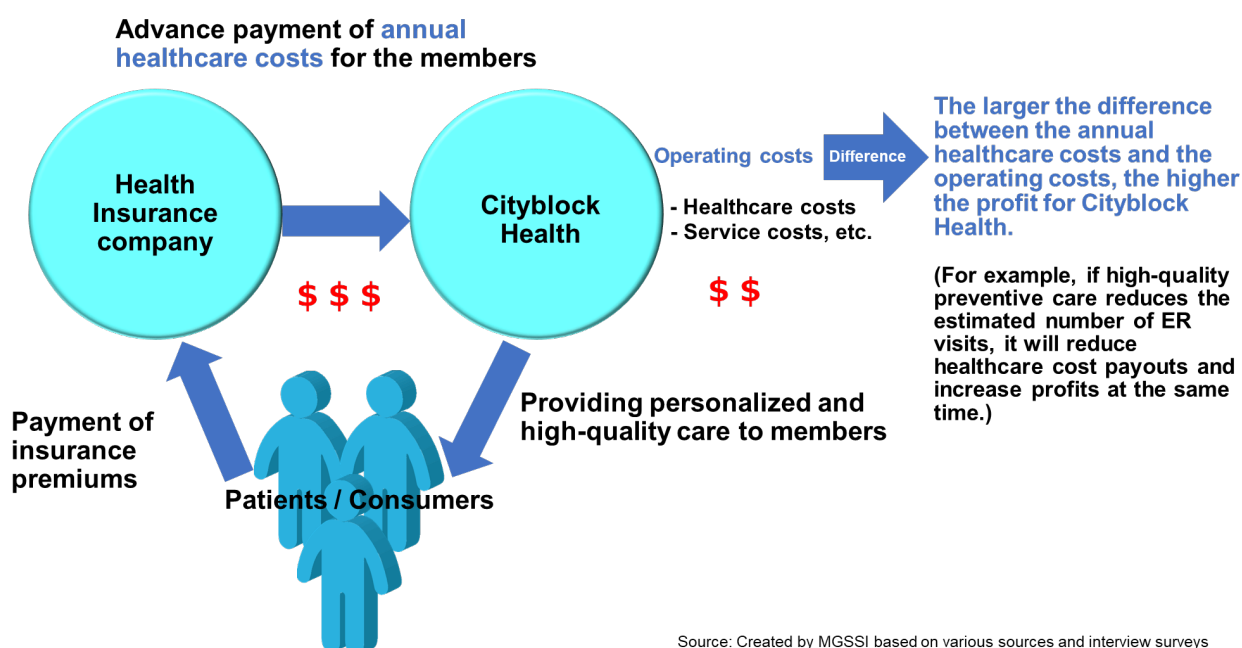
Amazon is developing services that make full use of its digital technology, such as Alexa Care Hub for in-home care-giving support, Amazon Halo as wearable devices, Amazon HealthLake as cloud-based service to help manage healthcare information, and PillPack for medication delivery. It is expected that the company will provide seamless home care in collaboration with Amazon Care.

2.2 CITYBLOCK HEALTH PROVIDES COMMUNITY-LEVEL PHC SERVICES

Cityblock Health is a spin-off of Alphabet's smart city project. It provides PHC services primarily in conjunction with public health insurance and serves approximately 70,000 members, according to various media sources. In addition to services similar to Amazon Care, it provides community-based social services such as transportation, finances, foods and housing support via "neighborhood health hubs". These hubs provide a foundation to support healthy living.

Cityblock Health has been attracting attention as a PHC capitation payment model (Figure 2). The insurance provider pays the insured person's annual healthcare costs in advance to Cityblock Health. The company then provides the insured person with high-quality personalized care at a cost lower than the annual healthcare costs received from the insurance provider. This difference forms the profit for Cityblock Health. In order for this model to operate efficiently, data utilization is the key, because the company needs to create individualized care plans and analyze the cost-effectiveness of each service.

Figure 2. Cityblock Health capitation payment model (illustrative image)



Source: Created by MGSSI based on various sources and interview surveys

3 CHINESE MARKET TRENDS

3.1 PING AN GOOD DOCTOR CREATES A HUGE VIRTUAL HEALTHCARE ECOSYSTEM

Ping An Good Doctor is part of the Ping An Insurance Group. It has created a huge virtual healthcare ecosystem that brings together health insurance, telehealth, online pharmacy, health management services, and e-commerce through a single smartphone app. The number of registered app users now exceeds 400 million, and the number of paying members is more than 32 million (as of June 30, 2021³). Utilizing its AI clinical decision

³ Ping An Healthcare and Technology Company website

https://staticpacific.blob.core.windows.net/press-releases-attachments/1331097/HKEX-EPS_20210824_9905509_0.PDF

(Accessed Feb 25, 2022)

support system developed based on vast quantities of medical data, Ping An Good Doctor aims to provide high-quality PHC services anytime, anywhere.

In the Chinese telehealth market, the retention of physicians is intensifying, and also the cost of hiring good physicians is becoming burdensome. (Ping An Good Doctor employs about 2,000 physicians and partners with more than 38,000 external physicians.⁴) During the pandemic, Ping An Good Doctor has been working not only online but also with hospitals offline. Meanwhile, public hospitals are also expanding digital services for patients. Both Ping An Good Doctor and public hospitals are trying to retain the patients they have by providing both offline and online services.

3.2 MEDLINKER CREATES INTERNET HOSPITAL SPECIALIZED IN CHRONIC DISEASES

Medlinker, established in 2014 through investment by Tencent Holdings, is an Internet hospital specialized in chronic diseases. With the goal of extending everyone's healthy life expectancy by one year, Medlinker provides telehealth services, just like Ping An Good Doctor. Utilizing a community of about 800,000 registered physicians,⁵ Medlinker is developing management tools for chronic diseases such as liver disease and diabetes. With this model, there is clear segmentation of patients based on specific diseases. This makes it easier for pharmaceutical companies to market their products. Medlinker has close partnerships with pharmaceutical companies such as Gilead Sciences, a US company famous for its hepatitis drugs. Medlinker is working to differentiate itself through joint development and exclusive sales of pharmaceuticals.

4 ASEAN (INDONESIA) MARKET TRENDS

4.1 MAJOR RIDE-HAILING APP GOJEK LAUNCHES GOMED

In 2017, popular ride-hailing app Gojek partnered with Halodoc, a platform company to provide telehealth services in Indonesia. They created the one-stop GoMed service using a smartphone app. By simply clicking the GoMed icon on their ride-hailing app, customers can easily access telehealth and online pharmacy services. In cooperation with local pharmacies, GoMed provides prompt prescription drug delivery using the expertise of the Gojek ride-hailing app. To meet diverse consumer needs, GoMed also sells functional foods online and provides telehealth service for pets.

The company has also faced challenges such as the establishment of guidelines for telehealth, the development of services across the country, and the provision of services for seniors. Going forward, GoMed is expected to provide data-driven preventive care and disease management services, in collaboration with medical institutions and insurance companies.

4.2 MAJOR RIDE-HAILING APP GRAB DEVELOPS GRABHEALTH

Ride-hailing app Grab partnered with Ping An Good Doctor in 2018 to develop GrabHealth, which provides telehealth services through the Grab app in Indonesia. The service is similar to GoMed, which involves the online participation of over 10,000 physicians, more than 2,200 pharmacies, and more than 1,000 medical institutions.⁶ The network is expanding rapidly by utilizing expertise provided by Ping An. (In Thailand, a similar service has been launched as Good Doctor Technology Thailand.⁷) Currently, GrabHealth is focusing on services for companies, such as offering to incorporate telehealth into the health insurance services that

⁴ Ping An Healthcare and Technology Company Limited 2021 Interim Report (August 2021)
http://www.pagd.net/media/pdf/us/2021/2021IR_EN.PDF (Accessed Mar 3, 2022)

⁵ Medlinker website <https://www.medlinker.com/> (Accessed Jan 27, 2022)

⁶ Good Doctor website <https://www.gooddoctor.health/healthcare> (Accessed on January 27, 2022)

⁷ Good Doctor website <https://www.gooddoctor.health/newsroom/Good-Doctor-Technology-Unveils-How-Telemedicine-Supports-COVID-19-Patients-in-Thailand> (Accessed on March 3, 2022)

companies provide to their employees.

5. CONCLUSION

The United States represents a fiercely competitive battleground for PHC, and tech giants have only just begun their advance into this market. By leveraging their digital technology and massive consumer bases, these companies aim to improve the health and quality of life of individuals in ways that go beyond conventional healthcare.

In China, as both tech giants and public hospitals continue to increase consumer/patient retention, consumers/patients will become smart enough to distinguish their services. Close attention must also be paid to government moves to tighten regulations on China's tech giant growing enormously.

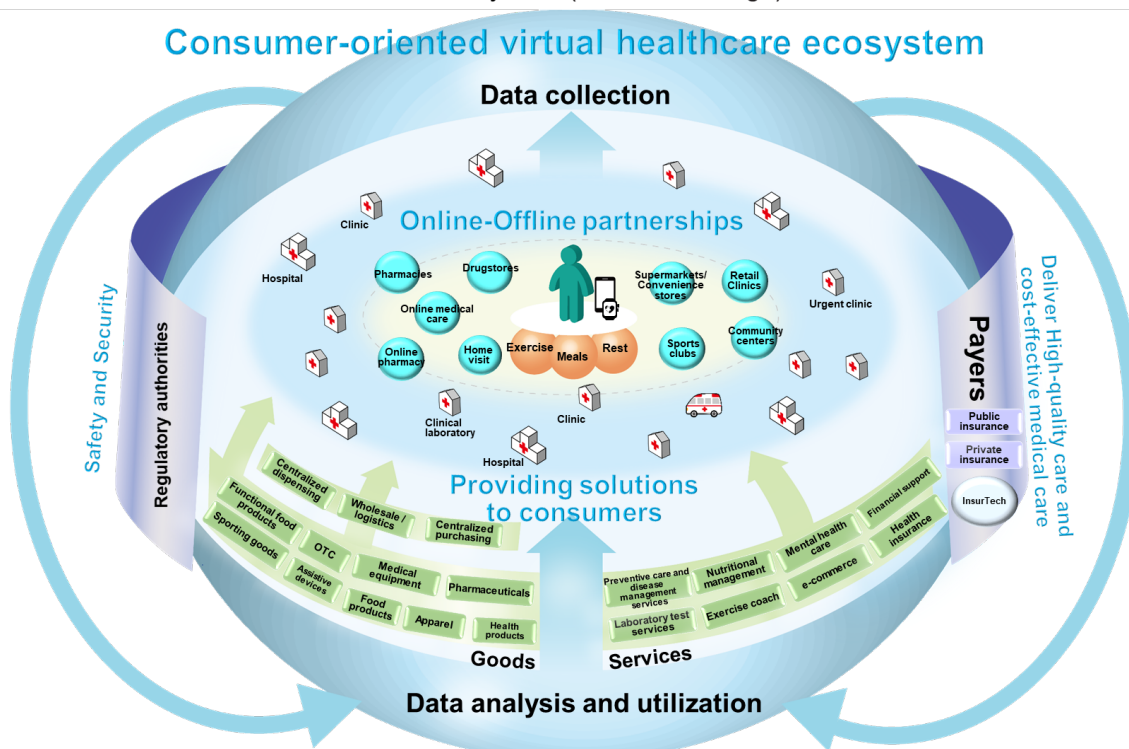
In ASEAN countries, starting with Indonesia, one-stop online PHC services based on ride-hailing apps are set to expand. However, the provision of such services for seniors who value traditional healthcare remains a challenge. Thailand, Vietnam, and the Philippines are also attracting attention as potential online PHC markets, since they have experienced regional disparities in medical care. Tech giants are expected to enter PHC markets in emerging countries outside of the ASEAN region as well (leapfrogging phenomenon).

In Europe, digital technology is being adopted to improve PHC efficiency within the framework of each country's public health insurance plans. This is expected to lead the way for national and international standardization in the field of digital healthcare. In Japan, discussions will continue on the adoption of digital technology for the effective utilization of limited healthcare resources, while startup companies will continue to take on new challenges.

Common challenges in the PHC field are online-offline collaboration with medical institutions and physicians, collaboration with insurance companies, profitability for pharmaceutical logistics, business expansion into nutrition, exercise, mental healthcare sectors, and provision of data-driven preventive care services.

Medical institutions and the traditional healthcare and wellness industry need to monitor PHC market entry by tech giants with a good amount of wariness. The latest developments represent more than just the entry of companies from different industries into the existing PHC market. They also represent a new sense of value and business opportunities, such as the creation of virtual healthcare ecosystem designed from the consumer perspective, and the introduction of the capitation payment model. As consumer choices in PHC market expand, digital technology needs to be adopted based on the consumer perspective, and new consumer touchpoints such as apps are required. In the virtual healthcare ecosystem, collaboration between offline and online entities is expanding. As medical institutions, IT/insurance/pharmaceutical/medical device companies, and health-related industries are becoming borderless, companies are likely to increasingly form alliances and consolidate their businesses (Figure 3).

Figure 3. Customer-oriented virtual healthcare ecosystem (illustrative image)



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