Walgreens retail pharmacy announces closure of 1,200 stores over next 3 years

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15 October 2024

Walgreens, the second-largest pharmacy store chain operating in the United States, announced it would be closing 1,200 locations over the next three years, including 500 over the next year, as it supposedly struggles to restructure itself. The move is deemed a cost-saving measure, caused by what CEO Tim Wentworth, who took the helm of the company a year ago, called sluggish consumer spending and low drug reimbursement rates that contributed to a $3 billion quarterly loss. At present, management is looking to offload its investment in VillageMD primary care providers group that it purchased for $5.2 billion in 2021.

The initial announcement of these closures was made back in June when Wentworth told the *Wall Street Journal* that he was planning to pull back from the struggling franchise, plunge into primary-care business and close what were deemed "poorly performing stores."

As he explained then, smaller revenue growth from prescription drugs, which had historically driven sales, and pressures from pharmacy benefit managers who negotiate drug prices for insurers, has meant losses on more commonly used high-price drugs. Additionally, Wentworth added, competition from telehealth organizations like Amazon, which owns its own pharmacy business, has meant a loss in the chain's customer base.

Shares had initially plummeted by 25 percent, from just under $16 to $11.79 per share. However, on news of the affirmation of these closures, shares jumped close to 16 percent Tuesday morning, putting the company back to one of its best performance days in years.

In a statement to investors and the public, Wentworth said, "This turnaround will take time, but we are confident it will yield significant financial and consumer benefits over the long term."

Yet, adjusted earnings beat analyst estimates, and quarterly sales topped $37.5 billion, nearly $2 billion above predictions. Also, the company saw annual sales totaling $150 billion, slightly above forecasts, in stark contrast to management claims about the company's dire situation. In short, optimization of profit margins drives the sudden closure of pharmacies that serve as a lifeline for millions of Americans who depend on them to access their medications, vaccines and medical supplies.

Walgreens, a 123-year-old company that is a familiar presence in urban neighborhoods, operates 8,500 stores in the US, with a few thousand overseas. All the "poor performing" stores that will be closed are in the United States. In what is standard financial parlance, Wentworth said, "While the decision to close the store is never an easy one, we feel confident in our ability to continue to serve our customers, and we intend to follow our historic practice to redeploy the majority of the work force in those stores that we closed."

He also confessed, "We are at a point where the current pharmacy model is not sustainable and the challenges in our operating environment require [that] we approach the market differently." McKinsey & Company, a global management consulting firm, said the retail pharmacy chains face "saturated retail locations, ongoing labor shortages, inflationary pressures and a leveling-off of generic drug penetration."

Pressures from the likes of Amazon and online outlets are considerable and even the 6,000 profitable stores can quickly go under in the face of declining profit margins. As Neil Saunders, managing director of consulting and data analysis firm GlobalData said of the Walgreens announcement, “All these things have the potential to undercut store performance and Walgreens needs to ensure that this does not happen. If it doesn’t, the latest slate of store closures will not be the last and Walgreens will enter the dangerous spiral of being an ever-shrinking business.”

It should be recalled that Rite Aid filed for Chapter 11 bankruptcy protection a year ago and has emerged from bankruptcy protection after the closure of 1,300 locations, or one-third of its drugstores. Michigan was the hardest-hit state with at least 165 of its 185 Rite Aid pharmacies being shuttered, and more than 2,000 jobs disappearing in the process. Some areas have been left without services, creating what are known as pharmacy deserts.

CVS Health is also on track to complete a three-year plan to close 900 stores. The recent strike authorization by 7,000 low-wage CVS retail pharmacy workers in September across California only underscores that the decision made in the spacious conference rooms at the financial offices have direct impact on the ability of workers to barely support themselves and their families.

As one shift supervisor in San Luis Obispo, told the media, “I work full-time yet can’t afford to get health insurance, which is ridiculous, because CVS owns Aetna, and the only option I am given is a health insurance plan that’s outside of what I can even afford due to the pay of my job.” A survey conducted by CVS members at UFCW Local 770 found that nearly two-thirds of workers do not have health insurance through their employer, citing high costs, despite CVS having reported more than $11 billion in profits.

The closure of these pharmacies is not just an attack on the livelihood and rights of pharmacy workers but must be seen by workers everywhere as a frontal assault on the US healthcare system, which is being torn down piecemeal and sold off to feed the insatiable greed of Wall Street and pernicious financial wizards.

Pharmacies have become central to primary care, with many looking to obtain their vaccines and other medications at their neighborhood retail stores. Under these conditions the creation of pharmacy deserts has real consequences for the health of the local population.

A recent *Health Affairs Scholar* study noted that as many as 16 million people live in regions, both rural and urban, where lack of access to pharmacies poses serious challenges. Another study found that 46 percent of US counties have at least one or more pharmacy desert, defined as a 10-mile radius without a retail pharmacy. Many of these regions are also the poorest. They often include those who have not attained more than a high school education, have no health insurance, do not speak English well, or have disabilities. They also lack access to healthy foods, reliable transportation, stable housing, and face the prospects of low wage jobs and permanent indebtedness.

The report states, “Nationally, our results indicate that pharmacy desert neighborhoods are associated with many social and political determinants of health, including lower educational attainment, lower income, lower health insurance coverage, and a higher proportion of people identifying as racial or ethnic minorities.” These are the characteristic of the stores that Wentworth cites as poor performing stores that need to be shuttered.

There is a direct correlation between the closure of these pharmacies and eventual health outcomes for those living in these deserts. For instance, a drastic drop in adherence to cardiovascular medication prescriptions also means an increase in the morbidity and mortality associated with noncompliance.

As the report concluded:

> If left unaddressed, pharmacy deserts may contribute to widening health disparities for populations living in these areas. Our results indicate that, on average, pharmacy desert residents already face many known barriers to accessing health care, including lower income, lower educational level, lower English-speaking ability, and lower health insurance coverage. All of these barriers may layer on each other to further limit patients’ abilities to reach accessible, appropriate, affordable health care.