

The 2024–25 Economic Report on Pharmaceutical Wholesalers and Specialty Distributors

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DRUG CHANNELS INSTITUTE
An HMP Global Company

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DCI hosts live video webinars during which Dr. Fein discusses trends and policies that affect the pharmaceutical industry and its channels. [Click here to view our current and previous video webinars.](#)

DCI also combines Dr. Fein’s expertise and cutting-edge analysis—such as this *2024-25 Economic Report on Pharmaceutical Wholesalers and Specialty Distributors*—into interactive e-learning modules that offer your team a thorough grounding in crucial industry topics. [Click here to view a list of our e-learning modules.](#) These online learning tools explain highly complex economic and business data and concepts so you can:

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- Improve relationships with key accounts
- Understand your customers, channels, and the economics of the U.S. pharmaceutical industry

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INTRODUCTION AND GUIDE TO THE 2024-25 REPORT

Since the previous edition of this report, pharmacy and healthcare provider markets continued to experience strong post-pandemic growth. At the same time, U.S. distribution and dispensing channels for prescription drugs are undergoing significant evolution and consolidation as conventional business models are challenged by the evolving economics of pharmaceuticals. During this period of volatility, pharmaceutical wholesalers are expanding their industry position and strengthening their economic fundamentals.

This 2024-25 edition of our *Economic Report on Pharmaceutical Wholesalers and Specialty Distributors* delves into the most crucial commercial, political, financial, and legal forces driving industry change:

- Wholesalers' U.S. drug distribution revenues continued to expand, driven by utilization of anti-obesity medications and overall pharmaceutical demand. We project that drug distribution revenues for the Big Three public companies—Cencora, Cardinal Health, and McKesson—will reach \$776 billion for 2024. However, revenue growth slowed in 2024, due to reductions in the list prices of certain brand-name medications and the substitution of low-list-price biosimilar products for higher-priced reference products.
- Novel direct-to-pharmacy distribution models that bypass wholesale distribution and the emergence of manufacturer-led direct-to-patient channels have the potential to challenge wholesalers' channel roles. Wholesalers have felt limited impact—and in some cases have benefited—from these recent developments.
- Specialty drugs remain the key driver of pharmaceutical industry revenues and plan sponsors' spending. However, their share of dispensing revenues and payer costs has not grown over the past two years. Net prices for these products are being pressured by growing competition from biosimilars and generic specialty drugs as well as aggressive benefit management tactics.
- There are now more than 40 approved biosimilars of provider-administered specialty drugs. These products have become an important source of profits for wholesalers and specialty distributors. This part of the biosimilar market continues to expand as adoption grows, prices decline, and payers relax formulary limits. Since the previous edition of this report, the FDA has proposed streamlining the approval process for interchangeable biosimilars, which will further grow the market.
- Wholesalers' revenues remain concentrated with a small number of larger pharmacy customers. Since the previous edition of this report, there have been multiple significant contract switches that will shift revenues among the largest wholesalers.

- The retail pharmacy shakeout accelerated. The largest chains are reducing their store counts, while smaller pharmacies are exiting the market. Rite Aid, the third largest drugstore chain and a significant customer of McKesson, filed for bankruptcy, closed locations, sold its PBM business, and emerged from bankruptcy as a private company. Wholesalers are investing growing sums to stabilize the business of their smaller and more profitable pharmacy and provider customers.
- Wholesalers' cash flow benefits from the 340B Drug Pricing Program have come under pressure, due partly to changes in how manufacturers interact with 340B contract pharmacies and covered entities.
- The Inflation Reduction Act of 2022 (IRA) has now begun to alter the Medicare Part D program and trigger changes in beneficiary out-of-pocket spending, drug prices, pharmacy economics, and market access strategies. The IRA's implementation has the potential to negatively impact pharmaceutical wholesalers by affecting their customers and the overall pharmaceutical business.
- Over the past year, the stock prices of the publicly traded wholesalers have outperformed the overall market indices. However, the public companies' valuation remains at a small discount to the market.
- Private equity firms have displaced hospitals and health systems as the major acquirers of community physician practices. These transactions are offering wholesalers new opportunities to participate directly in the ownership of their downstream customers. Government agencies and lawmakers are more closely scrutinizing the actions of private equity firms, which has slowed this activity over the past year.
- The U.S. distribution system is on the cusp of final implementation of the Drug Supply Chain Security Act (DSCSA), although the Food and Drug Administration (FDA) has exempted some of wholesalers' smaller customers from certain DSCSA requirements until November 2026.
- Adoption of cell and gene therapies is slowly expanding. Wholesalers are offering various services to address key logistical and commercial challenges for these therapies.
- Since the previous edition of this report, federal and state governments have progressed in their attempts to implement policies to import drugs originally intended for the Canadian market. However, importation activity remains stalled, and no major wholesaler is participating in these efforts.
- The largest wholesalers are now making annual payments to fulfill part of their financial and other obligations under the comprehensive National Opioid Settlement.

Understanding an Evolving Channel

This 2024-25 Economic Report on Pharmaceutical Wholesalers and Specialty Distributors—our 15th edition—remains the most comprehensive, fact-based tool for understanding and analyzing the large and growing U.S. pharmaceutical distribution industry. This unique, encyclopedic resource is your ultimate guide to wholesale distribution’s role in the complex web of interactions within U.S. prescription drug channels.

Thousands of companies operate within the U.S. system. The table below highlights the largest public companies that operate in the drug channel, along with their various channel roles. Many of these firms are among the largest businesses on the *Fortune 500* list.

Major Public Companies Operating in U.S. Drug Channels and Primary Roles

Company	Stock ticker	Insurer	Primary U.S. channel role(s)					
			Pharmacy benefit manager	Community pharmacy	Mail and/or specialty pharmacy	Healthcare provider	Discount card provider	Pharmaceutical wholesaler
Amazon	AMZN				✓		✓	
Cencora ¹	COR							✓
Cardinal Health	CAH							✓
Centene	CNC	✓	✓			✓	✓	
Cigna	CI	✓	✓			✓	✓	✓
CVS Health	CVS	✓	✓	✓		✓	✓	
Elevance Health	ELV	✓	✓			✓	✓	
GoodRx	GDRX							✓
Humana	HUM	✓	✓			✓	✓	
Kroger	KR		✓	✓		✓	✓	✓
McKesson Corporation	MCK					✓		✓
Rite Aid Corporation	RAD			✓		✓		✓
UnitedHealth Group	UNH	✓	✓	✓		✓	✓	✓
Walgreens Boots Alliance	WBA			✓		✓	✓	✓
Walmart	WMT			✓		✓	✓	✓

1. Previously known as AmerisourceBergen
Source: Drug Channels Institute research

This definitive, nonpartisan resource thoroughly updates our annual exploration of the wholesale industry’s interactions with—and services for—other participants in our healthcare system. The report synthesizes a wealth of statistical data, research studies, financial information, and my own extensive experience. It will aid pharmaceutical manufacturers, wholesalers, pharmacists, pharmacy owners, hospital executives, pharmacy buyers, benefit managers, managed care executives, policy analysts, investors, consultants, and anyone else who wants to understand and benefit from this ever-changing industry.

Our 2024-25 edition contains the most current financial and industry data. As always, we have updated all market and industry data with the most current information available. The report also updates our annual analyses of the strategies, market positions, and executive compensation of the three largest companies: Cencora, Cardinal Health, and McKesson. We review each wholesaler’s business segments and underlying business profitability, based upon our proprietary economic models. This information allows you to assess differences among the

public wholesalers’ business organizations, strategies, and financial performance. Where appropriate, financial data have been restated based on updated disclosures.

Effective August 30, 2023, AmerisourceBergen changed its name to Cencora and began trading under the ticker symbol COR on the New York Stock Exchange. Beginning with this 2024-25 edition, we exclusively use the name Cencora.

What’s New in the 2024-25 Report

The 2024-25 Economic Report on Pharmaceutical Wholesalers and Specialty Distributors retains the overall structure of previous editions, and the chapters correspond to those of previous editions. Throughout the report, we have added new industry data, deepened our coverage of many topics, and added more trending information. Certain material has been reorganized to reflect the latest industry developments.

The notable new material in this 2024-25 edition includes the following:

- [Section 3.3.1.](#) includes new data on the economics and profit of community oncology practices.
- [Section 3.4.1.](#) includes new data on the hospital market and the role of prescription drug costs on hospitals’ expenses.
- [Section 4.6.1.](#) includes new material on the impact of a reduction in brand-name list prices on wholesalers’ buy-side payments from manufacturers.
- [Section 6.1.4.](#) includes new data about the wholesalers’ payments under the comprehensive National Opioid Settlement.
- A new [Section 6.2.4.](#) examines the impact of direct-to-pharmacy models and direct-to-patient channels.
- [Section 6.5.](#) has been revised to reflect the ongoing implementation of the Inflation Reduction Act of 2022. In [Subsection 6.5.1.](#), we update and expand our review of key provisions of the law that relate to prescription drugs. In [Subsection 6.5.2.](#), we analyze the IRA’s likely consequences for wholesalers and the overall pharmaceutical business. As we discuss below, we have altered our analyses of certain issues compared with the previous edition of this report.
- [Section 8.2.](#) updates our financial analyses and model based on the new reporting segments introduced by Cardinal Health.

- We have removed the stand-alone section that addressed the distribution of COVID-19 vaccines and therapeutics. Material that addresses COVID-19 and its impact on the wholesale channel has been integrated into our analyses throughout the report.
- We provide updated, expanded, and reorganized data about the following markets:
 - Pharmacy franchise programs and marketing groups ([Section 2.2.3.](#))
 - Pharmacy services administrative organizations ([Section 2.2.4.](#))
 - Group purchasing organizations for small pharmacies ([Section 2.2.5.](#))
 - Group purchasing organizations for physician practices ([Section 3.3.2.](#))
- There are 178 exhibits in this 2024-25 edition, compared with 163 in the 2023-24 edition.

Structure of the 2024-25 Report

The 2024-25 Economic Report on Pharmaceutical Wholesalers and Specialty Distributors analyzes the industry in a preface and three primary sections, comprising nine total chapters.

[PREFACE: INDUSTRY TRENDS AND KEY REPORT THEMES](#) provides an integrated overview of the major themes that recur throughout our analysis. Each theme includes links to relevant chapters and sections within the report.

[SECTION I: WHOLESALER AND CUSTOMER INDUSTRY ANALYSIS](#)

- [Chapter 1: Industry Overview](#) (page 10) defines the industry, describes business differences between full-line wholesaling and specialty distribution, summarizes wholesalers' obligations under the Drug Supply Chain Security Act (DSCSA), explains wholesalers' channel roles, analyzes the products that wholesalers sell, and reviews insurance coverage of these products. This chapter also identifies the major full-line wholesalers and specialty distributors, and it provides the latest data on their market share and revenues.
- [Chapter 2: Channel Role for Retail, Mail, and Specialty Pharmacies](#) (page 38) analyzes the pharmacy market—the customer group that accounts for the majority of wholesalers' revenues. It covers wholesalers' services for smaller pharmacies, wholesalers' participation in the pharmacy-PBM relationship via pharmacy services administrative organizations (PSAOs), and wholesalers' interactions with pharmacy buying groups.

The chapter also analyzes how wholesalers work with larger pharmacies. We include our proprietary analysis of the large generic sourcing consortia between wholesalers and the largest pharmacies. [Section 2.4.](#) (page 67) analyzes wholesalers' role in the distribution of patient-administered drugs that specialty pharmacies dispense. We also consider wholesaler-owned specialty pharmacies.



- **[Chapter 3: Channel Role for Physician Offices/Clinics and Hospitals](#)** (page 78) examines channels for provider-administered medications, explains the buy-and-bill system for drugs administered in outpatient settings, and describes the role and functions that wholesalers perform for hospitals, including hospitals that participate in the 340B Drug Pricing Program. This chapter also provides an in-depth consideration of group purchasing organizations (GPOs) for both hospitals and physician practices. It also includes material regarding pharmacy dispensing within buy-and-bill channels.

SECTION II: BUSINESS ECONOMICS AND INDUSTRY TRENDS

- **[Chapter 4: Wholesaler Profitability](#)** (page 141) delves into the industry’s income statement economics to explain the underlying sources of drug distribution profits. We deconstruct buy-side and sell-side gross margin components, distinguish between sell-side profits from specialty and traditional drugs, and explain distribution service agreements (DSAs) with manufacturers. We analyze trends in overall gross margins and operating profits, as well as wholesalers’ gross profits from brand-name, biosimilar, and generic drugs. This chapter explains how brand-name drug price inflation affects wholesalers’ profits and examines wholesalers’ operating expenses, operating profits, and employee compensation.
- **[Chapter 5: Financial Stability and Cash Management](#)** (page 176) provides our updated analyses of the key metrics that illustrate wholesalers’ overall financial health. These include capital structures, debt (leverage), balance sheet assets, the cash conversion cycle, wholesalers’ capital deployment and uses of cash, return on invested capital, and stock market valuation and performance. Chapter 5 also explains executive compensation at the Big Three wholesalers.
- **[Chapter 6: Forces of Change for Drug Distribution](#)** (page 196) updates our analysis of the key industry trends that will impact the market structure and economics of the pharmaceutical wholesaling and specialty distribution industries. It presents the outlook for the U.S. prescription market, wholesalers’ projected revenues, and brand-name and generic pricing. In addition, we update our analyses of pharmacy and buy-and-bill markets, including trends related to vertical integration activities by hospitals, acquisition of physician practices by corporate entities and private equity, and cell and gene therapies. This chapter reviews the status of, and outlook for, pharmacy-dispensed and provider-administered biosimilars. Chapter 6 also contains material discussing importation from Canada, the national opioid settlement, and the Inflation Reduction Act of 2022 (IRA).

SECTION III: BIG THREE WHOLESALER COMPANY PROFILES



In this section, we analyze the latest financial data and strategies of the largest public companies. Each chapter provides parallel examinations of the Big Three public wholesalers. We scrutinize each company’s business history, acquisitions and divestitures, business mix, profitability, largest customers, and company-specific business trends.

- [Chapter 7: Cencora](#) (page 274)
- [Chapter 8: Cardinal Health](#) (Page 298)
- [Chapter 9: McKesson Corporation](#) (page 312)

How to Use the 2024-25 Report

The chapters are self-contained and do not need to be read in order. We include extensive internal clickable hyperlinks to help you navigate the entire document and customize it to your specific needs. You can use keyboard shortcuts to return to your previous location in the document. We also encourage you to search the entire PDF document for every occurrence of a word or phrase. The shortcuts and search approach will vary based on your computer platform.

We offer more than [750 endnotes](#), most of which have hyperlinks to original source materials. The report also includes a list of the [Acronyms and Abbreviations](#) (page 334) used within it.

As always, I welcome your feedback. Please contact me if you have any questions or comments about *The 2024-25 Economic Report on Pharmaceutical Wholesalers and Specialty Distributors*.

Adam J. Fein
October 2024

P.S. [Click here for post-publication errata.](#)



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