REPORT OVERVIEW

The 2025–26 Economic Report on Pharmaceutical Wholesalers and Specialty Distributors

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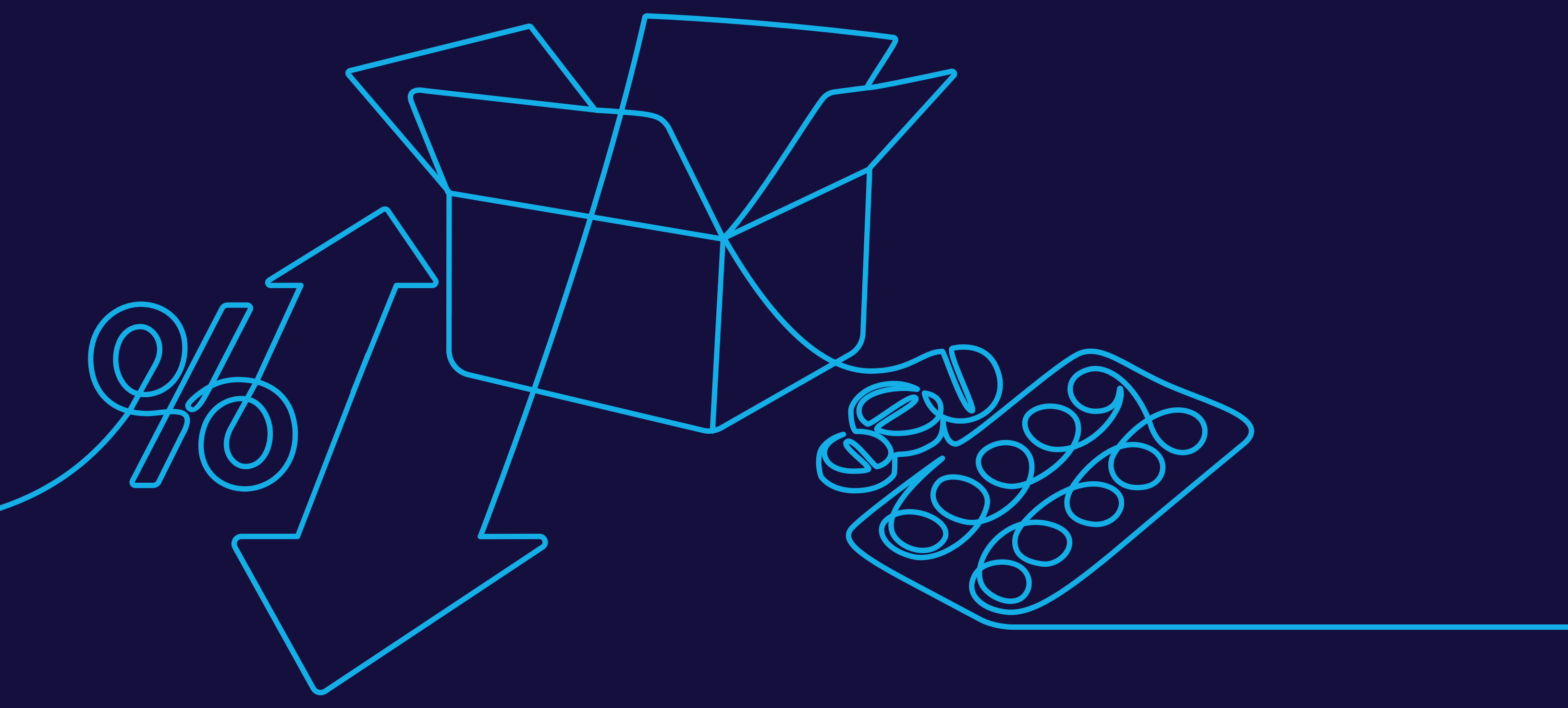

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About the Author

Adam J. Fein, Ph.D., is the President of Drug Channels Institute (DCI), an HMP Global company. DCI helps its customers make sense of pharmaceutical economics and the increasingly complex pharmacy distribution and reimbursement system.

Dr. Fein is one of the country's foremost experts on the pharmaceutical industry. He has published hundreds of academic and industry articles. Dr. Fein has contributed to and is regularly quoted in such national publications as *The Wall Street Journal*, *The New York Times*, and many others.

His popular and influential *Drug Channels* website is the go-to source for definitive and comprehensive industry analysis, delivered with a witty edge. *Drug Channels* is the only place where you'll find a serious discussion of PBMs, drug pricing, and pharmacy economics, all explained with humor and a healthy dose of pop culture.

Dr. Fein earned his doctoral degree from the Wharton School of Business at the University of Pennsylvania and his undergraduate degree from Brandeis University. He lives in Philadelphia with his wife and business partner, Paula.

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Visit Dr. Fein's Drug Channels blog for the latest industry updates.

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Expert Insights on Pharmaceutical Economics and the Drug Distribution System
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About Drug Channels Institute

[Drug Channels Institute (DCI)](#) is a leading source of industry research about pharmaceutical economics and the drug distribution system.

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 innovative 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:

- Make better decisions to achieve your business goals
- Improve relationships with key accounts
- Understand your customers, channels, and the economics of the U.S. pharmaceutical industry

To learn more about how Drug Channels Institute can help your business, please contact:

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INTRODUCTION AND GUIDE TO THE 2025-26 REPORT

Since the previous edition of this report, pharmacy and healthcare provider markets have continued to post robust revenue growth despite a turbulent business and political environment. During this period of volatility, the largest pharmaceutical wholesalers are accelerating their vertical integration efforts while strengthening their economic fundamentals.

This 2025-26 edition of our *Economic Report on Pharmaceutical Wholesalers and Specialty Distributors* examines the most crucial commercial, political, financial, and legal forces driving industry change:

- Wholesalers' U.S. drug distribution revenues continued to expand. We project that drug distribution revenues for the Big Three public companies—Cencora, Cardinal Health, and McKesson—will reach $871 billion in 2025. For each of the past four years, these companies have experienced double-digit revenue growth despite downward pressure from reductions in the list prices of select brand-name medications and the increasing substitution of lower-priced biosimilars for higher-priced reference products.

- Anti-obesity GLP-1 agonist drugs remained the most significant driver of wholesalers' revenue. Over the past five years, increases in revenue from the distribution of GLP-1 products have accounted for nearly 30% of wholesalers' total distribution revenue growth.

- Over the past three years, the Big Three companies have spent more than $16 billion to acquire management service organizations (MSOs) that oversee physician practices in such specialties as gastroenterology, oncology, ophthalmology, and urology. These transactions enable wholesalers to participate directly in the ownership of their downstream physician practice customers. Ownership of MSOs has the potential to protect the companies' channel roles, enable market share expansion, and contribute new sources of revenue and profit. The ultimate strategic benefits of these transactions remain uncertain.

- Biosimilars of provider-administered specialty drugs have emerged as an important source of profits for wholesalers and specialty distributors. Adoption of these products continues to grow as prices fall and payers relax formulary restrictions.

- The retail pharmacy shakeout continued, leading wholesalers to invest in stabilizing the businesses of their smaller, more profitable pharmacy and provider customers. Rite Aid, which had been a significant customer of McKesson, filed for bankruptcy a second time, has closed all of its stores and is liquidating its business and selling off its remaining assets. Walgreens Boots Alliance, Cencora's largest customer, was acquired by a private equity firm and is being restructured into multiple privately held operating companies. Competitive pressures have also led many regional chains to exit the industry.

Meanwhile, the number of independent pharmacies has been surprisingly stable, as store openings offset closures.

- Patient-administered specialty drugs' share of dispensing revenues and payer costs has shrunk for the second consecutive year. The relative growth rates of non-specialty obesity drugs, the introduction of low-priced biosimilars, and the entry of generic specialty drugs drive this trend. Biosimilars of patient-administered biologics do not benefit wholesalers in the same way as provider-administered biosimilars, although these products affect wholesalers' revenues and alter business economics.

- The 340B Drug Pricing Program and the role of 340B contract pharmacies remain highly controversial. Net drug sales under the 340B program now exceed net drug sales under the Medicaid outpatient drug program, while more than 40 manufacturers have altered their policies regarding 340B discounts for external pharmacies. These developments have the potential to compromise wholesalers' cash flow benefits from the program.

- Implementation of the Inflation Reduction Act of 2022 (IRA) has altered the Medicare Part D program and triggered changes in beneficiary out-of-pocket spending, drug prices, and market access strategies. Industry participants have struggled to understand and manage the IRA's intended and unintended consequences. In the short term, wholesalers are benefiting from growing demand for specialty drugs. However, the implementation of maximum fair prices (MFP) has the potential to negatively impact pharmaceutical wholesalers' retail pharmacy and provider customers.

- Wholesalers continue to face uncertain risks due to various federal drug pricing policies. Federal and state governments continued to pursue 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 prospect of most favored nation (MFN) pricing and tariffs on imported pharmaceutical products could further alter wholesalers' business economics.

- The growth of cash-pay prescriptions and manufacturers' direct-to-patient channels are transforming multiple aspects of the drug channel. While these programs can reshape prescription payment flows, wholesalers have felt limited impact—and in some cases are benefiting—from these developments.

- Over the past year, the stock prices of the publicly traded wholesalers have outperformed broader market indices. The public companies' valuations remain at a small discount to the market.

- The U.S. distribution system is nearing the final implementation of the Drug Supply Chain Security Act (DSCSA), although the U.S. Food and Drug Administration (FDA) has exempted certain DSCSA requirements until as late as November 2026.

- Adoption of cell and gene therapies is growing more slowly than initial projections. Compared with other pharmaceutical products, wholesalers offer new services to address key logistical and commercial challenges for these therapies, although their roles and functions differ from conventional pharmaceutical products.

Understanding an Evolving Channel

This *2025-26 Economic Report on Pharmaceutical Wholesalers and Specialty Distributors*—our 16th annual edition—remains the most comprehensive, fact-based tool for understanding and analyzing the large and growing U.S. pharmaceutical distribution industry. Widely regarded as the industry standard, 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.

Our 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.

The 2025-26 edition contains the most current financial and industry data about the distribution of pharmaceuticals and the major companies that handle these products. 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 Big Three 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.

The Big Three companies have each built significant positions in businesses beyond drug distribution. The chart on the next page highlights the vertical alignment of each company's major businesses and those businesses' diverse roles within the U.S. healthcare system. The numbers in the chart indicate the report chapter that explains and analyzes each business.

While conventional pharmaceutical wholesaling remains the most significant revenue source, each company has expanded both upstream and downstream from this base. The wholesalers market their own private-label generic drugs, operate pharmacy franchises, run businesses that negotiate with pharmacy benefit managers (PBMs) and other payers on behalf of their customers, provide group purchasing services for physician practices, provide patient and consulting services for their manufacturer suppliers, and many other businesses. Most recently, the companies' strategic investments have focused on vertical integration into the management services organizations (MSO) that oversee physician practices in such clinical specialties as oncology, urology, and ophthalmology.

Exhibit 1: Vertical Alignment of Businesses Within Largest Wholesale Companies

(X) = Chapter Number

	cencora (7)	CardinalHealth (8)	MCKESSON (9)
Manufacturer (4)	BluePoint Laboratories	MAJOR Rugby	NorthStar Rx
Full-line wholesaling and specialty distribution (1)	AmerisourceBergen Besse Medical Oncology Supply	CardinalHealth	MCKESSON
Specialty pharmacy (3)	—	—	Biologics By McKesson
Retail pharmacy (2) (6)	Good Neighbor Pharmacy	The Medicine Shoppe Pharmacy	Health Mart
PSAO (2)	Elevate Provider Network Accelerate Specialty Network	LeaderNET	Health Mart Atlas
GPO (3)	cencora Specialty GPOs	Specialty GPOs	Onmark Unity
Provider (3) (6)	OneOncology RETINA Consultants of America	Navista The Specialty Alliance	The US Oncology Network
Patient access services (1)	Patient access and adherence support	Sonexus Access and Patient Support	covermymeds

Wholesaler profitability (income statement): (4) Financial stability and cash flows (balance sheet): (5)

PSAO = pharmacy services administrative organizations; GPO = group purchasing organization
Source: Drug Channels Institute research. Exhibit does not illustrate every subsidiary business operated by each company.

What's New in the 2025-26 Report

The 2025-26 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. In addition, selected material has been reorganized to reflect recent market developments.

The notable new material in this 2025-26 edition includes the following:

- Section 3.2.2. (page 104) adds new information about commercial payers' reimbursement for provider-administered biosimilar drugs.
- Section 3.4.1. (page 123) includes new proprietary data on hospitals' economics for prescription drug expenses.
- Section 4.5.3. (page 167) presents new data that quantifies the penetration of wholesalers' private-label generic drugs into government programs.
- A new Section 6.1.5. (page 211) evaluates the potential implications of most favored nation (MFN) and tariff policies on the wholesalers' businesses.
- Section 6.2.4. (page 225) has been expanded to cover new developments in cash-pay prescriptions and manufacturers' direct-to-patient channels.

- Section 6.3.2. (page 239) has been expanded to include more complete and current data on wholesalers' acquisition of MSOs.

- Section 6.5. (page 264) has been revised to reflect the ongoing implementation of the Inflation Reduction Act (IRA).

  - In Section 6.5.1. (page 264), we update our review of key provisions of the law that relate to prescription drugs.

  - In Section 6.5.2. (page 269), we update our analyses of the IRA's likely consequences for wholesalers and the overall pharmaceutical business.

- Section 9.2.2. (page 326) presents revenue and profit information for McKesson's businesses based on restated 2025 financial information for the reporting structure that the company adopted during its 2026 fiscal year.

- Coverage of UnitedHealth Group's Optum Rx wholesaler relationship has been moved to Section 9.3.4. (page 335), reflecting the business shift from Cardinal Health to McKesson.

- There are 187 exhibits in this 2025-26 edition, compared with the 178 exhibits in the 2024-25 edition. Most exhibits are new or fully updated from the previous year's edition.

Structure of the 2025-26 Report

The 2025-26 Economic Report on Pharmaceutical Wholesalers and Specialty Distributors analyzes the industry in a preface and three primary sections, comprising nine chapters in total.

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 this 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 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 66) analyzes wholesalers' roles 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 143) 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 and deflation affects wholesalers' profits and examines wholesalers' operating expenses, operating profits, and employee compensation.

- **Chapter 5: Financial Stability and Cash Management** (page 179) 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 reviews and explains executive compensation at the Big Three wholesalers.

- **Chapter 6: Forces of Change for Drug Distribution** (page 199) 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, brand-name and generic pricing, and MFN policy proposals. In addition, we update our analyses of pharmacy and buy-and-bill markets, including trends related to manufacturers' direct-to-patient channel models, vertical integration activities by hospitals, acquisition of physician management service organizations by wholesalers, 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 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.

How to Use the 2025-26 Report

The chapters are self-contained and do not need to be read in order. We provide extensive internal clickable hyperlinks to help you navigate and customize the report 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 840 endnotes, most of which have hyperlinks to original source materials. We also provide a consolidated list of Acronyms and Abbreviations (page 342) for your reference.

As always, I welcome your feedback. Please contact me if you have any questions or comments about *The 2025-26 Economic Report on Pharmaceutical Wholesalers and Specialty Distributors*.

Adam J. Fein, Ph.D.
October 2025

P.S. Click here for post-publication errata.

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LIST OF EXHIBITS