

# The 2025 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers

ADAM J. FEIN, PHD

MARCH 2025



**DRUG CHANNELS INSTITUTE**  
An HMP Global Company

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## ABOUT THE AUTHOR

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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](http://www.DrugChannels.com) 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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## ABOUT DRUG CHANNELS INSTITUTE

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[Drug Channels Institute \(DCI\)](#), an HMP Global Company, 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 *2025 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers*—into interactive e-learning modules that offer your team a thorough grounding in crucial industry topics. [Click here to view a module list.](#) These online learning tools explain 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 REPORT

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Since the previous edition of this report, pharmacy and healthcare provider markets continued to experience strong revenue growth amidst a turbulent business and political environment. This 2025 edition of our *Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers* delves into all the crucial commercial, political, financial, and legal forces driving change:

- For 2024, total prescription dispensing revenues of retail, mail, long-term care, and specialty pharmacies reached \$683 billion (excluding COVID-19 vaccines). Anti-obesity GLP-1 agonist drugs remained the most significant driver of prescription revenue at retail pharmacies, accounting for more than 80% of dispensing revenue growth for 2024.
- Amidst this strong revenue growth, the retail pharmacy shakeout accelerated. Over the past four years, the three largest drugstore chains have collectively reduced their store counts by nearly 3,000 locations. Competitive pressures have led many regional chains to exit the industry. Meanwhile, the number of independent pharmacies has been surprisingly stable, as store openings counterbalance store closings.
- Pharmacy benefit managers (PBMs) faced growing controversy over their business models. The Federal Trade Commission (FTC) released two interim reports that were extremely critical of the three largest PBMs. The FTC also initiated legal action over the PBMs' role in the insulin market. States continue to pass legislation that regulates and oversees PBMs, while federal legislation remains stalled.
- The large corporations that own the largest PBMs have begun private label distribution of their own pharmaceutical products. Private label versions of Humira biosimilars have preferred position on the PBMs' 2025 formularies, which has accelerated adoption of biosimilars covered by pharmacy benefit plans. Since the previous edition of this report, the FDA has proposed streamlining the approval process for interchangeable biosimilars, which will further grow the biosimilar market.
- Independent PBMs are gaining some marketplace traction with plan sponsors. However, many smaller PBMs still rely on their larger competitors for certain business functions. An emerging group of smaller PBMs are fully or partially owned by health systems.
- Specialty drugs' share of dispensing revenues and payer costs shrank for the second consecutive year, due partly to growth in nonspecialty obesity drugs. Net prices for specialty drugs also declined, due to competition from biosimilars, the entry of generic specialty drugs, and aggressive benefit management tactics.
- List prices for brand-name drugs—which directly impact the revenues and profits of pharmacies and PBMs—grew at mid-single-digit rates. Some manufacturers have sharply

- reduced the list prices of currently marketed brand-name drugs, shrinking the gross-to-net pricing gap for these products. Brand-name drugs' net prices continued to decline, as manufacturers' mandatory and voluntary rebates and discounts offset list price growth.
- For 2024, the gross-to-net bubble, which measures total value of rebates and discounts paid by manufacturers, reached \$356 billion for all brand-name drugs. However, the bubble inflated at its slowest rate in at least 10 years, due partly to list price reductions for highly rebated products with substantial gross sales. Multiple factors are altering manufacturers' approaches to brand-name drug pricing and the gross-to-net bubble.
  - Patient-paid prescriptions grew as costs continue to be shifted to consumers through deductibles and coinsurance. A small but growing number of pharmacies focus on noninsurance, patient-paid prescriptions. Consumers also relies more on discount cards, which use PBM-backed networks to pass a portion of rebates and network discounts directly to patients at the point of sale. Plan sponsors are expanding their use of patient-paid prescription prices within pharmacy benefits.
  - Implementation of the Inflation Reduction Act of 2022 (IRA) has now altered the Medicare Part D program and triggered changes in beneficiary out-of-pocket spending, drug prices, and market access strategies. Industry participants struggled to understand and manage the IRA's intended and unintended consequences.
  - U.S. patients' out-of-pocket costs remain bifurcated, based on benefit design, diagnosis, and drug therapy. Some people take inexpensive generic drugs, have generous benefit plans, and can utilize copayment offset programs. However, a small share of people with commercial insurance face high out-of-pocket expenses due to benefit designs with deductibles and coinsurance spending.
  - Plan sponsors accelerated their use of novel tools—copay accumulator adjustment, copay maximizers, and alternative funding programs—that allow them to access manufacturers' copayment support and patient assistance programs to offset plans' specialty drug costs. Patient advocacy, manufacturers' tactics, and new state laws are challenging payers' ability to use these tools.
  - The 340B Drug Pricing Program and the role of 340B contract pharmacies remained highly controversial. Net drug sales under the 340B programs again expanded at double-digit rates and now exceed net drug sales under the Medicaid outpatient drug program. More than 40 manufacturers have altered their policies regarding 340B discounts available at external pharmacies. These actions have triggered state legislation, accelerated hospital investments in specialty pharmacy operations strategies, and challenged profits at pharmacies and PBMs.

- Retail chains struggled with their investments in healthcare sites that compete directly with urgent care clinics, physician offices, and other healthcare providers. Walgreens and Walmart have exited (or announced plans to sell) their retail health businesses.
- Federal and state governments continued their attempts to implement policies to import drugs originally intended for the Canadian market. However, activity remains stalled, and no major wholesaler is participating in these efforts.
- 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 certain DSCSA requirements until as late as November 2026.

## Understanding an Evolving Marketplace

The 2025 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers—our 15<sup>th</sup> edition—remains the most comprehensive, fact-based tool for understanding the entire U.S. drug pricing, reimbursement, and dispensing system. This unique, encyclopedic resource is your ultimate guide to the complex web of interactions within U.S. prescription drug channels.

Thousands of companies operate within the U.S. drug channel system, enabling 6.8 billion equivalent prescriptions to be dispensed and paid. 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. Vertical integration has created large companies that participate in a wide range of drug channel activities. Over the past few years, changes in these organizations’ vertical strategies are reflected in the exhibit below.

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

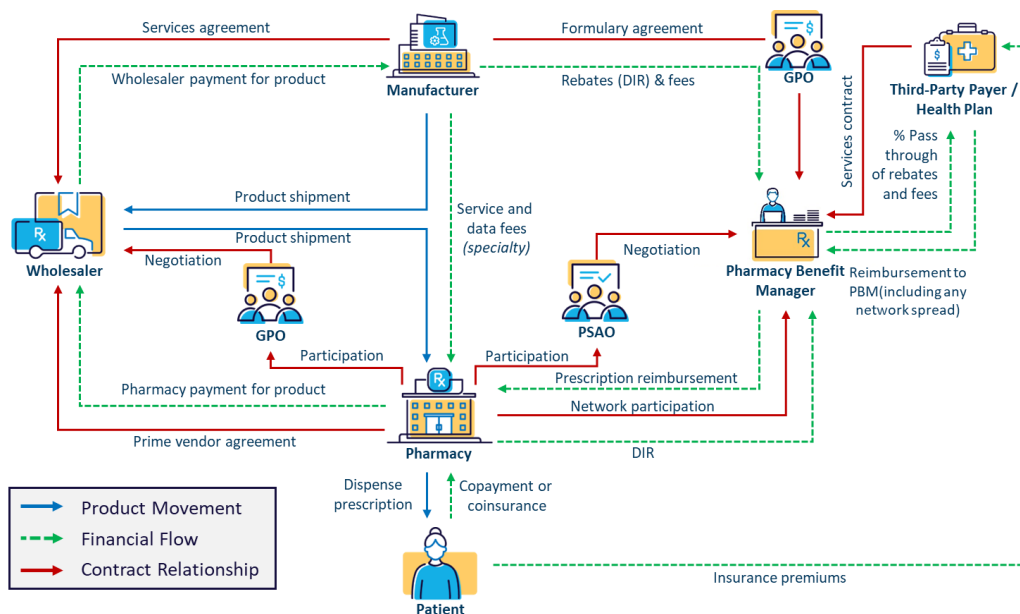
Company (ticker)	U.S. drug channel role							
	Insurer	Pharmacy benefit manager	Community pharmacy	Mail and/or specialty pharmacy	Healthcare provider	Discount card provider	Group purchasing organization	Wholesaler/Distributor
Amazon (AMZN)				✓		✓		
Cencora (COR)					✓		✓	✓
Cardinal Health (CAH)					✓		✓	✓
Centene (CNC)	✓	✓		✓	✓			
Cigna (CI)	✓	✓		✓	✓	✓	✓	✓
CVS Health (CVS)	✓	✓	✓	✓	✓	✓	✓	
Elevance Health (ELV)	✓	✓		✓	✓			
GoodRx (GDRX)						✓		
Humana (HUM)	✓	✓		✓	✓			
Kroger (KR)		✓	✓	✓	✓			
McKesson (MCK)				✓	✓	✓	✓	✓
UnitedHealth Group (UNH)	✓	✓	✓	✓	✓	✓	✓	✓
Walgreens Boots Alliance (WBA)			✓	✓	✓			
Walmart (WMT)			✓	✓				

Source: Drug Channels Institute research. A checkmark indicates that company owns a majority ownership in a business providing the associated channel role.

These and other companies discussed in this report operate within a complex distribution, payment, and reimbursement system, illustrated on the next page. It is important to understand that not every product or channel strategy will incorporate every one of these flows.



## The U.S. Pharmacy Distribution and Reimbursement System for Patient-Administered, Outpatient Brand-Name Drugs



GPO = group purchasing organization; PSAO = pharmacy services administrative organization; DIR = direct and indirect remuneration; PBM = pharmacy benefit manager  
 Source: Drug Channels Institute research. Chart illustrates flows for Patient-Administered, Outpatient Drugs. Please note that this chart is illustrative. It is not intended to be a complete representation of every type of product movement, financial flow, or contractual relationship in the marketplace.

The 2025 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers discusses and analyzes the key channel flows illustrated above:

- **Product movement**, which traces shipments from pharmaceutical manufacturers to the drug wholesalers that supply pharmacies. Retail, mail, long-term care, and specialty pharmacies mark the final step, in which a prescription is dispensed to a patient.
- **Financial flows**, which transfer money from third-party payers to PBMs, which in turn reimburse pharmacies. Funds flow to manufacturers via pharmacies, which purchase drugs from wholesalers. Funds flow from manufacturers to PBMs in the form of rebates and fees. The PBMs share most of these payments with plan sponsors, reducing plans' net prescription costs. Manufacturers' payments to PBMs and other third-party payers do not flow through wholesale or retail channels.
- **Contractual relationships**, which govern the relationships between: 1) payers and PBMs; 2) PBMs and pharmacies; 3) pharmacies and wholesalers; 4) wholesalers and manufacturers; and 5) manufacturers and PBMs.

In Sections II and III of the report, we revisit this chart to link each flow with the corresponding report chapters that explain and analyze it. This chart appears as [Exhibit 69](#) (page 117).

## What's New in the 2025 Report

*The 2025 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers* is a definitive, nonpartisan report that includes the most current information about pharmacy dispensing channels, third-party payers, PBMs, patients' financial contributions, government regulations, and more. The report synthesizes a wealth of statistical data, research studies, financial information, and my own extensive consulting 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 edition retains the general structure we employed in previous editions. However, we have made some significant structural changes to reflect the industry's evolution. As always, we have updated all market and industry data with the most current information available, including our annual analyses of the market positions of the largest pharmacies, specialty pharmacies, and PBMs. Throughout the report, we have added new industry data, deepened our coverage of many topics, and added more trending information.

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

- [Section 4.3.](#) has been expanded to provide greater coverage of the growing market for patient-paid prescriptions—cash-pay prescriptions and discount cards. A new [Section 4.3.3.](#) has been added to this section to provide a more cohesive review of how and why plan sponsors are utilizing these pricing approaches within pharmacy benefits.
- [Section 5.2.3.](#) adds deeper coverage of the smaller PBMs operating in the market. This subsection now distinguishes independent, privately held companies from those partially or fully owned by retail chains and health systems.
- [Section 5.4.](#) has been expanded to provide more complete coverage of the various ways by which plan sponsors compensate PBMs.
- A new [Section 5.2.5.](#) analyzes the private label business of the vertically integrated organizations that also own the largest pharmacy benefit managers.
- [Section 8.4.](#) has been updated and expanded to reflect the emerging importance of acquisition cost as a basis for pharmacy reimbursement. A new [Section 8.4.3.](#) has been added to this section to better explain the implications of acquisition cost reimbursement for pharmacies.
- [Section 11.4.](#) has been reorganized and streamlined to reflect changes in pharmacy direct and indirect remuneration (DIR) fees in Medicare Part D networks.

- [Section 12.3.1.](#) contains a revised analysis of controversies over vertical integration in the drug channel. It also includes a fully updated illustration of these organizations.
- A new [Section 12.3.4.](#) reviews how specialty pharmacies are participating in the emerging gene therapy market.
- We have added significant new material to the sections that discuss the Inflation Reduction Act of 2022. These include an expanded and updated [Section 12.4.1.](#), which summarizes the key provisions of the law and current guidance for Medicare Part B and Part D, and [Section 12.4.2.](#), which highlights current impacts and future implications of the IRA for the drug channel.
- Certain material has been shifted from stand-alone sections and integrated into various sections throughout the report. This content includes Amazon’s various roles in the pharmacy industry and our discussions of venture-backed pharmacies. [Section 1.4.3.](#) now incorporates material on pharmacies’ COVID-19 vaccination activity that had previously been presented in its own section.
- Where relevant, we have incorporated data and material from the FTC’s two interim reports on the three largest PBMs. Financial exhibits drawn from these reports are included in [Section 7.3.1.](#) and [Section 12.2.3.](#)
- There are 267 exhibits in the 2025 edition, compared with 262 in the 2024 edition. Nearly all of the exhibits contain updated data or information that was not presented in previous editions of this report.

## Structure of the 2025 Report

This report analyzes the industry in three major sections, comprising 12 total chapters:

### SECTION I: THE U.S. PHARMACY INDUSTRY

- [Chapter 1: Industry Overview](#) (page 13) defines the industry and its regulatory framework, describes the different products and prescriptions that a pharmacy dispenses, provides data on traditional and specialty prescription costs, delineates the various pharmacy industry participants, and quantifies differences among dispensing formats. This chapter includes our analysis of pharmacist-provided clinical services (including medication therapy management services), retail healthcare services, and immunization and vaccine administration.
- [Chapter 2: Pharmacy Industry Market Structure](#) (page 50) analyzes the industry’s prescription and revenue growth trends. It identifies the largest pharmacies based on prescription revenues. It then analyzes recent market share trends for each dispensing format and for the major national companies.

- [\*\*Chapter 3: Specialty Drugs and Specialty Pharmacies\*\*](#) (page 74) provides a comprehensive overview of the pharmacies dispensing specialty medications. It includes our exclusive analyses of national market share for pharmacy-dispensed specialty drugs and accreditation trends among pharmacies. It also provides a competitive analysis of the various organizations that compete to dispense specialty medications. The chapter reviews the channel strategies that pharmaceutical manufacturers use for specialty drugs, provides our exclusive analyses of limited and exclusive specialty dispensing networks, explains the role of service fees, and profiles the specialty hub services market.

## **SECTION II: THIRD-PARTY PAYMENT AND PHARMACY BENEFITS**

- [\*\*Chapter 4: Payment and Spending for Prescription Drugs\*\*](#) (page 118) examines the primary payers for prescription drugs at retail, mail, long-term care, and specialty pharmacies. It analyzes recent changes in the payer mix and spending on traditional vs. specialty drugs. Chapter 4 also reviews patient-paid prescriptions using cash-pay pharmacies and discount card programs.
- [\*\*Chapter 5: Pharmacy Benefit Management\*\*](#) (page 145) identifies the services and roles of PBMs, analyzes the structure of the PBM industry, reviews the business strategies of the largest PBMs, profiles many smaller PBMs, and discusses PBM-owned purchasing organizations and PBM-affiliated private label products. It describes the relationship between PBMs and the pharmacies that participate in a PBM's network, explains the largest pharmacy services administrative organizations (PSAOs) and identifies the largest players, and details how plan sponsors compensate PBMs for benefit management services. Chapter 5 also reviews the primary sources of PBM compensation by plan sponsors, including spread pricing and pass-through models.
- [\*\*Chapter 6: Consumer Copayments and Coinsurance\*\*](#) (page 198) analyzes the benefit designs and plan structures that determine patients' out-of-pocket spending for the major third-party payers: employer-sponsored health plans, health insurance marketplace plans, Medicare Part D, and Medicaid. We explore manufacturers' out-of-pocket payment support programs, explain the emergence and use of copay accumulators and maximizers, discuss alternative funding programs (sometimes known as specialty carve-out programs), and provide the latest data on patient out-of-pocket expenses. We also present the latest data on how benefit design affects patients' out-of-pocket costs.
- [\*\*Chapter 7: Narrow Pharmacy Networks\*\*](#) (page 247) analyzes the structure, utilization, and economics of narrow network models. We explain the use and economics of narrow networks for pharmacies in commercial health plans and Medicare Part D. We review mail and retail pharmacies as narrow network options for maintenance prescriptions. This chapter also evaluates the latest data on payer-defined networks for specialty drug dispensing in commercial health plans and for buy-and-bill channels.

### **SECTION III: DRUG CHANNEL ECONOMICS AND OUTLOOK**

- **Chapter 8: Prescription Reimbursement by Third-Party Payers** (page 278) explains the formulas and methodologies for computing a pharmacy’s revenue from brand-name, generic, and specialty prescriptions. It also delves into maximum allowable cost (MAC) prices as well as the regulations and laws related to MAC prices. We also review the economics of mail vs. retail pharmacies for payers and consumers. This chapter compares traditional list price methods with the acquisition-cost reimbursement approaches—such as the use of the National Average Drug Acquisition Cost (NADAC)—now utilized by fee-for-service Medicaid programs, commercial payers, and cash-pay pharmacies. The chapter also discusses the implications of acquisition cost reimbursement for pharmacies and plans.
- **Chapter 9: Drug Pricing, Rebates, and Payer Costs** (page 296) explores rebates in commercial health plans, Medicare Part D, Medicaid, and the Department of Veterans Affairs. It explains how PBMs negotiate with manufacturers, analyzes trends in list and net drug prices, and describes the gross-to-net bubble phenomenon. The chapter explains how plan sponsors use rebates, the role of point-of-sale rebates, and controversies over rebates. The chapter concludes by illustrating how prescription reimbursement, formulary rebates, and consumer copayments affect a plan sponsor’s net costs for traditional and specialty prescriptions.
- **Chapter 10: Relationships with Pharmaceutical Wholesalers** (page 340) explores pharmacies’ interactions with their primary wholesale suppliers of drugs. It explains wholesalers’ channel roles and services, identifies the largest wholesale suppliers, and analyzes how wholesalers affect pharmacies’ acquisition costs for drugs. We present our latest data on pharmacy group purchasing organizations and the generic sourcing relationships between wholesalers and large pharmacies. This material is adapted from our [\*Economic Report on Pharmaceutical Wholesalers and Specialty Distributors\*](#).
- **Chapter 11: Pharmacy and Prescription Profitability** (page 352) unites the reimbursement and cost discussions from Chapter 8 and Chapter 10 by presenting the latest available data on pharmacy and prescription profitability. This chapter documents overall drugstore profitability, pharmacy margins for prescriptions from different dispensing formats, profit differences between brand and generic prescriptions, and the sources of PBMs’ gross profits. Chapter 11 also includes material on the direct and indirect remuneration (DIR) fee payments that pharmacies make to PBMs and health plans. Finally, we consider pharmacies’ role and profits in the 340B Drug Pricing Program.
- **Chapter 12: Outlook and Emerging Trends** (page 389) presents the outlook for the pharmacy industry’s product mix and revenues in 2029. This chapter also considers the outlook for specialty drugs, including the growth in specialty generic drugs and pharmacy-dispensed biosimilars. We also discuss crucial emerging trends, including vertical

integration, importation, state legislation, controversy over the 340B program, and shakeout and consolidation in retail pharmacy. The final section reviews the Inflation Reduction Act of 2022 and its potential impact on the drug channel.

## How to Use the 2025 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.

There are nearly 1,200 [endnotes](#), most of which have hyperlinks to original source materials. The report also includes a list of the [Acronyms and Abbreviations](#) used within it.

As always, I welcome your feedback. Please contact me if you have any questions or comments about *The 2025 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers*.

Adam J. Fein  
March 2025

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



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