
THE BIG THREE

It is estimated that 85% of all pharmaceutical drug distribution revenues are generated by three companies: McKesson Corporation, Cardinal Health, Inc., and AmerisourceBergen Corporation.³ There are two types of wholesale distributors in the pharmaceutical drug industry: full-line wholesale distributors and specialty wholesale distributors. Full-line wholesale distributors contract with major pharmaceutical drug manufacturers to buy, inventory, and sell their full pharmaceutical product lines. Specialty distributors contract with pharmaceutical drug manufacturers to buy, inventory, and sell specialty pharmaceutical drugs primarily to hospitals, physician-owned/operated clinics, and hospital-owned outpatient clinics.⁴ Oncology products account for almost half of sales by specialty distributors.⁵

The revenues by the big three tell part of the story. For fiscal year 2014, McKesson Corporation was the largest wholesale distributor, with \$137.609 billion in revenues, followed by AmerisourceBergen, with \$118.45 billion in revenues, and Cardinal Health, with \$90.07 billion in revenues (Figure 5.1).⁶

The big three are also the largest specialty wholesale distributors. AmerisourceBergen Specialty Group (ABSG) has Oncology Supply, ASD Healthcare, and Besse Medical; McKesson has McKesson Specialty; and Cardinal Health has its Special Pharmacy Distribution and Special Pharmacy Solutions.⁷ How did the big three become the big three? Let's take a look at the history of each of these large companies.

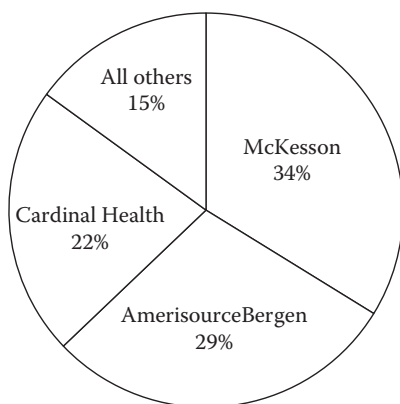


FIGURE 5.1

Fiscal year 2014 revenues. (From Fred A. Kuglin, with data from Charles Schwab Stock Research Summary, July 2014.)