

in Columbus, Ohio. In less than a decade, the then-named Cardinal Foods became a prominent regional food distributor until branching into pharmaceutical distribution in 1979. That was the year the company purchased a Zanesville, Ohio, drug distributor and became known as Cardinal Distribution.<sup>15</sup>

In 1983, Cardinal Health went public. In 1988, Cardinal Health sold its food distribution segment to focus on its pharmaceutical distribution business. Cardinal Health achieved \$1 billion in revenue in 1991, 20 years after it was founded. By 1994, revenue grew to \$6 billion! Since 1994, Cardinal Health has made a number of acquisitions, expanding its spectrum of services in the pharmaceutical and health care industries. The company's acquisitions included Pyxis Corp. in automated supply and pharmaceutical dispensing, Owen Healthcare in hospital pharmacy management, Medicine Shoppe International in pharmacy franchising, R.P. Scherer Corp. and Automated Liquid Packaging in drug delivery formulation and contract manufacturing, PCI Services, Inc., in pharmaceutical packaging, Allegiance Corp. in medical-surgical product manufacturing and distribution, Bergen Brunswig's medical-surgical distribution to hospitals and care continuum, and Bindley Western in pharmaceutical distribution. By 2014, Cardinal Health had grown to \$90 billion in revenue and 40 distribution centers.<sup>16</sup>

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## **WHY THE HISTORY PERSPECTIVE OF THE BIG THREE?**

The big three have a rich history of founders with vision, leaders with deep knowledge in the pharmaceutical, health care, and supply chain industries, and vast numbers of employees skilled at meeting the needs of patient care providers and providing safe pharmaceutical drugs to patients in need. Their revenue, employee, and asset numbers are impressive, to say the least. However, there is one statistic that despite their history and asset base, puts them at risk with potential structural changes from the Drug Quality and Security Act: their very low operating profit margins (Figure 5.3).

The operating profit margins for major pharmaceutical drug manufacturers in 2013 averaged 18.4%, and for generic drug manufacturers averaged 5.4%.<sup>17</sup> For fiscal 2014, the operating profit margin for McKesson was 1.72%, followed by Cardinal Health with 1.13% and AmerisourceBergen