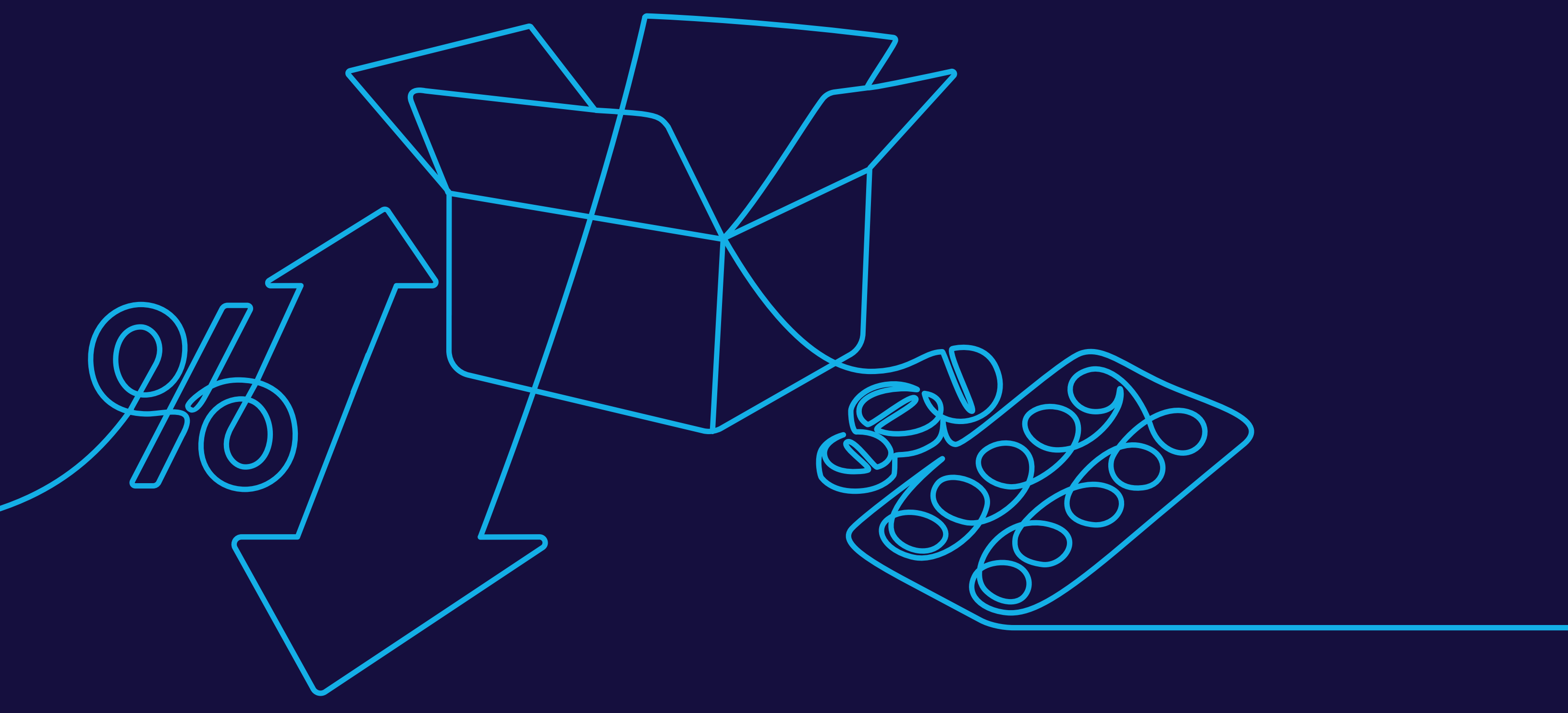
REPORT OVERVIEW

The 2026–27 Economic Report on Pharmaceutical Wholesalers and Specialty Distributors

OCTOBER 2026



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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 the DCI team discusses trends, policies, and market developments that affect the pharmaceutical industry and its channels. Click here to view our current and previous video webinars.

This report is one of DCI's two flagship industry reports. Together with its companion, The 2026 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers, it provides the most comprehensive, fact-based overview of the U.S. drug channel and an unmatched end-to-end view of the economic forces, business relationships, and market dynamics shaping the pharmaceutical industry.

DCI also hosts the Drug Channels Leadership Forum, an invitation-only, in-person event that brings together senior leaders from across the drug channel for candid, high-level discussions about the forces reshaping the industry.

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

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INTRODUCTION AND GUIDE TO THE 2026-27 REPORT

Since the previous edition of this report, the U.S. prescription market has continued to expand, but the foundations of the drug channel are shifting. Legislative intervention, pricing realignment, vertical integration, and alternative payment models are accelerating a structural transition away from a rebate-driven system built on high list prices and toward a marketplace increasingly shaped by net prices.

This 2026-27 edition of our *Economic Report on Pharmaceutical Wholesalers and Specialty Distributors* examines the most crucial commercial, political, financial, and legal forces driving industry change for the industry's key distribution intermediaries:

- **Overall U.S. drug distribution revenues continue to expand, but growth is slowing.** We project that drug distribution revenues for the Big Three public companies—Cencora, Cardinal Health, and McKesson—will reach $933 billion in 2026. Through 2025, these companies experienced double-digit revenue growth. In 2026, growth has slowed to mid-single-digit rates, reflecting reductions in the list prices of select brand-name medications, slower growth in GLP-1 agonist revenues, and growing adoption of lower-priced biosimilars.

- **The public companies retain strong financial positions.** The Big Three wholesalers continue to have conservative capital structures, limited leverage, high levels of liquidity, excess cash flow, and solid debt ratings. Over the past five years, their stock prices have outperformed broader market indices, although performance has been more volatile during the past year. The public companies' valuations remain at a modest discount to the broader market.

- **Wholesalers' revenues remained highly concentrated with a handful of large companies.** In 2026, five companies—CVS Health, Cigna, Walgreens, Walmart, and UnitedHealth Group—accounted for more than 40% of total U.S. drug distribution revenues. Three of these companies operate central fill mail and specialty pharmacies within vertically integrated organizations that also own an insurer and a pharmacy benefit manager (PBM).

- **Drug pricing changes are challenging wholesalers' economic models.** Changes in manufacturers' pricing policies, emerging channels, and evolving pharmacy benefit manager (PBM) business models signal that the U.S. pharmaceutical system is evolving into a **Net Pricing Drug Channel** (NPDC)—a market environment in which net prices, not list prices, determine access, economics, and competitive strategy. Brand-name list-price increases have remained low in recent years, while manufacturers have sharply reduced the list prices of more than 30 currently marketed brand-name drugs, shrinking the gross-to-net pricing gap for these products. Wholesalers have responded with various tactics to mitigate the effects of lower brand-name drug list prices and slower list-price growth on their profits.

- **Alternative pricing and distribution pathways have had limited impact on the wholesaler channel.** Cash-pay pharmacies and manufacturers' direct-to-patient solutions are bypassing certain aspects of the conventional channel to enable pricing closer to post-rebate net prices. At the same time, discount cards are encouraging patients to access pricing that excludes mark-ups, rebates, and other payments that would otherwise be earned or absorbed by channel participants. These channels seem likely to alter pricing benchmarks and payment flows, but they generally continue to rely on existing pharmacy dispensing and wholesale distribution infrastructure.

- **Retail pharmacy economics remain under sustained pressure.** Restructuring among the major chains has accelerated. Rite Aid liquidated its business and sold its prescription assets to other chains. Walgreens Boots Alliance, Cencora's largest customer, was acquired by a private equity firm and restructured into multiple privately held operating companies. Since 2018, the two remaining national drugstore chains have collectively closed more than 3,000 locations, reflecting margin compression and weaker front-end economics. Meanwhile, the number of independent pharmacies has declined less than other formats, as store openings have partially offset closures. Wholesalers are investing more in stabilizing their smaller, more profitable pharmacy customers while facing contracting pressures from their largest customers.

- **Ownership of physician management services organizations (MSOs) is transforming wholesalers' role in the buy-and-bill market.** The largest wholesalers have spent over $20 billion to acquire complete or partial ownership stakes in physician MSOs in such specialties as gastroenterology, ophthalmology, oncology, and urology. Practices within these MSOs generate significant revenues from provider-administered drugs. MSO ownership is protecting wholesalers' channel roles, enabling market share expansion, and creating new sources of revenue and profit for their distribution businesses. The ultimate strategic benefits of these transactions, however, remain uncertain.

- **Biosimilars of provider-administered specialty drugs are now an important source of profits for wholesalers and specialty distributors.** Adoption of both provider- and patient-administered biosimilars has grown, while prices have continued to decline. Provider-administered biosimilars have emerged as an important source of profits for wholesalers and specialty distributors. Since the previous edition of this report, wholesalers have also begun investing in private-label biosimilars of these products. By contrast, biosimilars of patient-administered biologics such as Humira and Stelara have not benefited wholesalers in the same way. Instead, these lower-priced products reduce wholesalers' revenues and alter channel economics.

- **The IRA will disrupt the buy-and-bill market, creating new risks for wholesalers' MSO investments while pressuring other provider customers.** Beginning in 2028, negotiated prices under the IRA will take effect for selected single-source Medicare Part B drugs and biologics. We expect reimbursement of provider-administered drugs subject to Medicare negotiation to decline, both directly through lower Medicare reimbursement and indirectly through spillover into commercial reimbursement. For wholesalers, these changes could weaken the economics of an important customer segment while accelerating purchasing volume toward larger hospital and health-system customers, including 340B covered entities.

- **The growth and scale of the 340B program have created the conditions for dramatic change in this influential economic channel.** The 340B Drug Pricing Program and the role of 340B contract pharmacies remain highly controversial. Net drug sales under the 340B program reached $100 billion and now exceed net drug sales under the Medicaid outpatient drug program. More than 40 manufacturers have altered their policies regarding 340B discounts for external pharmacies. These actions have prompted state legislation, accelerated hospital investments in specialty pharmacy operations, and created new challenges for pharmacy and PBM profits. Implementation of the Inflation Reduction Act (IRA) is also bringing new transparency to the 340B program. Collectively, these developments have the potential to diminish wholesalers' economic benefits from the program.

- **Cell and gene therapies are creating new channel opportunities for wholesalers.** Cell and gene therapies (CGTs) have begun to transform treatment for many serious and previously untreatable conditions. Wholesalers offer new services to address key logistical and commercial challenges associated with these therapies, although their roles and functions differ from conventional pharmaceutical products. Wholesalers' MSO investments, combined with emerging community CAR-T activity, could allow wholesalers to benefit from higher CAR-T volumes in community oncology practices.

- **Supply chain modernization is nearing completion.** The U.S. distribution system is approaching full implementation of the Drug Supply Chain Security Act (DSCSA), although the U.S. Food and Drug Administration (FDA) has exempted certain trading partners from some DSCSA requirements until as late as November 2027.

- **Importation efforts remain commercially dormant.** Federal and state governments have continued their attempts to implement policies to import drugs originally intended for the Canadian market. However, activity remains stalled, and commercial importation appears unlikely to begin in the near term. The prospect of most favored nation (MFN) pricing and tariffs on imported pharmaceutical products could further alter wholesalers' business economics.

Understanding an Evolving Channel

This *2026-27 Economic Report on Pharmaceutical Wholesalers and Specialty Distributors*—our 17th 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 2026-27 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	NorthStarRx
Full-line wholesaling and specialty distribution (1)	AmerisourceBergen Besse Medical Oncology Supply	CardinalHealth	McKESSON
Specialty pharmacy (3)	—	Innovative Care Pharmacy[1]	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[2]	The Specialty Alliance[3] Navista[4]	The US Oncology Network[5] PRISM Vision Group
Patient access services (1)	—[6]	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
1. In 2026, Cardinal Health launched its Innovative Care Pharmacy, which focuses on cell and gene therapies rather than conventional specialty therapies.
2. In 2026, Cencora announced a definitive agreement to acquire EyeSouth Partners, a retina Management Service Organization (MSO), whose physicians will join Retina Consultants of America (RCA) upon completion of the transaction.
3. The Specialty Alliance, a multi-specialty MSO for physician practices, is organized into the GI Alliance and the Urology Alliance. In 2025, Cardinal Health acquired of Solaris Health, a urology MSO whose practices joined the Urology Alliance.
4. In 2023, Cardinal Health launched Navista, an MSO for oncology practices. In 2024, Cardinal Health acquired Integrated Oncology Network (ION), an oncology MSO whose practices joined Navista.
5. In 2024, McKesson acquired a 70% controlling interest in Community Oncology Revitalization Enterprise Ventures, LLC (Core Ventures), the business and administrative organization of Florida Cancer Specialists & Research Institute (FCS). In 2025, McKesson acquired Verdi Oncology, an oncology MSO. Following the acquisitions, both Verdi Oncology and Core Ventures became part of McKesson's US Oncology business.
6. In 2026, Cencora sold its patient access services business to CareMetx.
Source: Drug Channels Institute research. Exhibit does not illustrate every subsidiary business operated by each company.

What's New in the 2026-27 Report

The 2026-27 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 2026-27 edition includes the following:

- A new Section 3.3.4. (page 131) includes updated and expanded material related to wholesalers' investments in management services organizations (MSOs).

- Section 6.2.4. (page 247) has been expanded to cover new developments in manufacturers' direct-to-patient channels and TrumpRx.

- A new Section 6.3.2. (page 263) evaluates the potential implications of the Inflation Reduction Act for the buy-and-bill market.

- Section 6.3.3. (page 266) has been expanded to incorporate additional details about the cell and gene therapy market as well as wholesalers' strategies and market positions.

- Section 7.2.2. (page 298) presents revenue and profit information for Cencora's businesses based on the new reporting structure that the company adopted during its 2026 fiscal year.

- The Inflation Reduction Act of 2022 (IRA; P.L. 117–169) includes numerous changes to prescription drug pricing in the Medicare program. To reflect the law's implementation, we have altered our presentation in this 2026-27 edition:

  - Our summary of key aspects of this law that affect the Medicare Part B and Part D programs now appears in a new Appendix. In previous editions, this content had appeared in Chapter 6.

  - Material highlighting drug channel implications of the IRA has been updated and integrated into the main text. In previous editions, this content had appeared in a separate section.

- There are 193 exhibits in this 2026-27 edition, compared with the 187 exhibits in the 2025-26 edition. Most exhibits are new or fully updated from the previous year's edition.

Structure of the 2026-27 Report

The 2026-27 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 40) 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 70) 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 81) 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 and wholesalers' investments in physician management services organizations (MSOs). It also includes material regarding pharmacy dispensing within buy-and-bill channels.

SECTION II: BUSINESS ECONOMICS AND INDUSTRY TRENDS

- **Chapter 4: Wholesaler Profitability** (page 162) 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 200) 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 219) 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, the implications of the IRA, 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 and the national opioid settlement.

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.

APPENDIX: KEY PROVISIONS OF THE IRA FOR MEDICARE PARTS B AND D

- The Appendix reviews key aspects of the Inflation Reduction Act of 2022 that affect the Medicare Part B and Part D programs based on the year implementation has started or will begin.

How to Use the 2026-27 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 930 endnotes, most of which have hyperlinks to original source materials. We also provide a consolidated list of Acronyms and Abbreviations (page 354) for your reference.

The following individuals contributed to this 2026-27 edition:

- Adam J. Fein
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- Ari Levin
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As always, we welcome your feedback. Please contact us at dcisupport@hmpglobal.com if you have any questions or comments about *The 2026-27 Economic Report on Pharmaceutical Wholesalers and Specialty Distributors*.

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

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