

Specialty Pharmacy Solutions - Client Alert - Three Bears Walk into a Bar... One says ©

Now that we've roped you in with the provocative title..... this really is a story about three bears..... and they are all great big Papa Bears..... *no baby bears in this Goldilocks story....*

Their names are Accredo, Caremark, and WAGS (*the abbreviation here fits the analogy nicely*).

According to a new report from Drug Channels Institute **these three represent 63% of all specialty pharmacy spend in the US** (*defined as pharmacy dispensed – unclear whether revenues from distribution are included or not*).

So, where's the news? Hasn't that been the case – like forever - *or at least since ESI acquired Accredo??* But that's the point.... things haven't really changed.

In fact, I can recall their share numbers being a bit higher... say 65%.

That means that **these three have failed to increase their share** and, short of seeing the actual report, **may actually have seen a little erosion in their total market share** (*or perhaps the numbers are cleaner than in the past... after all two of the big three are PBMs and we all know how PBMs accurately report their sales*).

So, other specialty pharmacies – be they publicly traded or independents – are seemingly making progress in clawing back specialty pharmacy business that might otherwise have gone to the big three. Kudos! Competition is what makes vibrant markets!!

Again, without seeing the report, we can only speculate what the report cites for current annual sales. If the total drug market is going to exceed “50% specialty pharmacy by 2018” the current number must be in the 40% range today or about \$115 billion --- which is in the range of other reports released over the past year. If the big 3 represent 63% of that number then they generated a whopping \$72 billion +- in 2013. But that leaves a very respectable \$43 billion for the rest of the market to share.

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New Drug Channels Institute Study Finds Three Companies Dominate Specialty Pharmacy, Identifies Key Trends Affecting Profitability

January 28, 2014 PHILADELPHIA- Today the Drug Channels Institute, a leading management educator for and about the pharmaceutical industry, released the results of its exclusive, in-depth analysis of the rapidly expanding specialty pharmacy industry. **“Three companies—Express Scripts, CVS Caremark, and Walgreens—account for 63% of revenues from pharmacy-dispensed specialty medications** that treat such illnesses as cancer, multiple sclerosis, and rheumatoid arthritis,” said Drug Channels Institute CEO Adam J. Fein, Ph.D., the study's author and a widely regarded expert on pharmacy economics and the pharmaceutical supply chain.

“By 2018, 50% of industry revenues will come from specialty drugs,” Fein added. “Drugstores, hospitals, physician, wholesalers, and health plans are all battling for position in this fast-growing market.”

These findings are among the many new revelations and trends in Drug Channels Institute's just-released *2013-14 Economic Report on Retail, Mail, and Specialty Pharmacies*. This comprehensive, 185-page analysis of the **\$287 billion U.S. pharmacy industry** thoroughly dissects its interactions with the U.S. healthcare system. With 98 proprietary charts, exhibits, and data tables, this new research report is the

most complete examination of prescription economics, market structure, growth rates, and key trends affecting the industry's profitability. "The generic wave and specialty boom will fundamentally restructure the U.S. pharmacy industry," Fein reports.

What's more, the institute analyzes how healthcare reform will affect pharmacies. It explores such factors as the healthcare coverage expansion, forthcoming Medicaid pharmacy reimbursement changes, the boom in narrow pharmacy networks for Medicare drug plans, and unprecedented growth in the 340B drug discount program.

To purchase and immediately download the new report, visit http://drugchannelsinstitute.com/products/industry_report/pharmacy/.

About Drug Channels Institute

Drug Channels Institute, a division of Pembroke Consulting, Inc., is a leading provider of specialized management education and computer-based training for and about the pharmaceutical industry. To learn more about its products, visit <http://www.drugchannelsinstitute.com/>. To access Dr. Fein's popular Drug Channels blog, visit <http://www.drugchannels.net>.

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