

December 23, 2024

The Honorable Lina Khan
Chair
Federal Trade Commission
600 Pennsylvania Avenue NW
Washington, D.C. 20580

Chair Khan,

I write regarding Cardinal Health's \$3.9 billion proposed acquisition of a majority (71%)¹ stake in GI Alliance, the country's largest gastroenterology management services organization (MSO)² which oversees over 900 physicians across 345 office locations in 20 states.³ This deal threatens to limit competition by expanding Cardinal Health's control of physician practices, while giving Cardinal an incentive to restrict those practices from contracting with Cardinal's rival wholesalers.

Cardinal controls 28% of the drug wholesale market, joining McKesson and Cencora as one of the three biggest wholesalers in the country, with a combined 98% market share.⁴ Leveraging this dominant market power, Cardinal has consistently locked its customers into restrictive contracts,⁵

¹ Guru Focus, "Cardinal Health (CAH) Announces Strategic Acquisition of GI Alliance Holdings," November 13th, 2024, <https://www.gurufocus.com/news/2600431/cardinal-health-cah-announces-strategic-acquisition-of-gi-alliance-holdings>

² Globe Newswire, "GI Alliance to Partner with Cardinal Health Creating a Scaled Multi-Specialty Managed-Services Platform to Benefit Physicians and Patients," November 11, 2024, https://www.globenewswire.com/news-release/2024/11/12/2978665/0/en/GI-Alliance-to-Partner-with-Cardinal-Health-Creating-a-Scaled-Multi-Specialty-Managed-Services-Platform-to-Benefit-Physicians-and-Patients.html?utm_campaign=health_care_inc&utm_medium=email&hsenc=p2ANqtz-9qSuIrm22r_qozNTJn5u5-HQc1vdk2FEOd6imXzRvA4dhpssucEJafnjr-STM6CEyOKOWgkRluVJO7uyz1aUG_3ZJe_bWVldzGPOTqMqBkkukIrg&hsmi=334187698&utm_content=334187698&utm_source=hs_email

³ GI Alliance, "GI Alliance Partners with Cardinal Health to Create Multi-Specialty Platform," November 12, 2024, <https://gialliance.com/gastroenterology-news/gi-alliance-cardinal-health-partner-to-create-multi-specialty-platform>

⁴ American Economic Liberties Project, "Letter Re: McKesson's and Cardinal Health's Proposed Acquisitions of Oncology Practice Networks", September 26, 2024, <https://www.economicliberties.us/wp-content/uploads/2024/09/2024-9-26-Letter-to-FTC-on-McKesson-and-Cardinal-Health-Proposed-Acquisitions-FINAL.pdf>.

⁵ BIG by Matt Stoller, "The Monopolies Behind the Adderall Shortage," Matt Stoller, March 25, 2023, <https://www.thebignewsletter.com/p/the-monopolies-behind-the-adderall>; American Economic Liberties Project, "The Dirty Secret of Drug Shortages," Sara Sirota, October 2023, https://economicliberties.us/wpcontent/uploads/2023/10/20230720-AELP-DrugShortages_Brief_v7.pdf.

blocked out rival wholesalers,⁶ and squeezed generic drug manufacturers,⁷ leading to more frequent drug shortages,⁸ higher drug costs,⁹ and poorer health outcomes.¹⁰ In addition to dominating the wholesaler market, Cardinal has leveraged its profits to pursue an aggressive vertical acquisition strategy, including acquiring a Group Purchasing Organization (GPO), a data analytics firm, medical device lines, specialty pharmacies, and physician practices.¹¹ These acquisitions are part of a broader trend of vertically integrated health care conglomerates operating as both seller and buyer of prescription drug services.¹²

In October, I wrote to you regarding my concerns with wholesalers pursuing further vertical acquisitions of physician practices.¹³ Specifically, I wrote to urge FTC to closely scrutinize Cardinal's acquisition of Integrated Oncology Network (ION), an MSO that oversees over 50 physician practices spanning 10 states.¹⁴ By acquiring ION, Cardinal would be able to force its affiliated practices to enter into sole-source or prime vendor agreements, which would "lock them in as customers" and effectively block competing wholesalers from offering their services, while also introducing irreparable conflicts of interest that could raise drug costs for patients and taxpayers.¹⁵ The FTC did not act, and the acquisition was completed on December 3, 2024.¹⁶

⁶ *Id.*

⁷ *Id.*

⁸The American Prospect, "New Bill Seeks to End Drug Shortages," David Dayen, May 3, 2024, <https://prospect.org/health/2024-05-03-new-bill-seeks-to-end-drug-shortages/>; BIG by Matt Stoller, "The Monopolies Behind the Adderall Shortage," Matt Stoller, March 23, 2023, <https://www.thebignewsletter.com/p/the-monopolies-behind-the-adderall>.

⁹American Economic Liberties Project, "The Dirty Secret of Drug Shortages," Sara Sirotta, October 2023, https://economicliberties.us/wp-content/uploads/2023/10/20230720-AELP-DrugShortages_Brief_v7.pdf

¹⁰Health Care Dive, "Drug distributors agree to \$300M settlement for role in opioid epidemic," September 4, 2024, <https://www.healthcaredive.com/news/drug-distributors-300M-settlement-opioid-health-plans/725873/>.

¹¹Healthcare Dive, "Cardinal Health inks 2 acquisitions worth \$3.9B", Emily Olsen, November 14, 2024, <https://cardiovascularbusiness.com/topics/patient-care/cardinal-health-agrees-acquire-medtronics-medical-supplies-business-61-billion>; American Economic Liberties Project, "Letter Re: McKesson's and Cardinal Health's Proposed Acquisitions of Oncology Practice Networks", September 26, 2024, <https://www.economicliberties.us/wp-content/uploads/2024/09/2024-9-26-Letter-to-FTC-on-McKesson-and-Cardinal-Health-Proposed-Acquisitions-FINAL.pdf>.

¹²Letter from Senator Warren to CMS Administrator Brooks-LaSure, May 29, 2024, https://www.warren.senate.gov/imo/media/doc/final_warren_letter_to_cms_on_ma_data_rfi_on_intercompany_transfers.pdf.

¹³Letter from Senator Warren to Chair Khan, October 29, 2024, https://www.warren.senate.gov/imo/media/doc/letter_to_chair_of_federal_trade_commission_on_oncology_deals.pdf

¹⁴Cardinal Health, "Cardinal Health to Acquire Integrated Oncology Network", September 20, 2024, <https://newsroom.cardinalhealth.com/2024-09-20-Cardinal-Health-to-acquire-Integrated-Oncology-Network,-a-physician-led-independent-community-oncology-network>

¹⁵Letter from Senator Elizabeth Warren to FTC Chair Khan, October 29, 2024, https://www.warren.senate.gov/imo/media/doc/letter_to_chair_of_federal_trade_commission_on_oncology_deals.pdf.

¹⁶Cardinal Health, "Cardinal Health completes acquisition of Integrated Oncology Network", December 3, 2024, <https://newsroom.cardinalhealth.com/2024-12-03-Cardinal-Health-completes-acquisition-of-Integrated-Oncology-Network>.

Now, an even bigger Cardinal is following the same playbook, looking to expand its control of the dwindling gastroenterologist market¹⁷ with its acquisition of GI Alliance, the largest gastroenterology MSO in the country. In addition to the concerns I outlined in my October letter, the acquisition of GI alliance introduces further opportunities for self-dealing, as Cardinal serves as the primary supplier of pharmaceutical products for Gastrologix GPO — the only gastroenterology-focused GPO in the nation.¹⁸

Accordingly, I urge FTC to closely scrutinize this deal, including under Section 7 of the Clayton Act, which prohibits any acquisition that may substantially lessen competition or tend to create a monopoly.¹⁹ If FTC determines this deal violates antitrust law, including to the detriment of patients seeking medical treatment, FTC should challenge this acquisition.

Sincerely,



Elizabeth Warren
United States Senator

¹⁷ Healio, “GI physician shortage ‘a significant concern’ affecting both providers, patients,” Kate Burba, December 28, 2022, <https://www.healio.com/news/gastroenterology/20221215/gi-physician-shortage-a-significant-concern-affecting-both-providers-patients>.

¹⁸ Cardinal Health, “Gastrologix and Cardinal Health Specialty Solutions Announce Agreement to Provide Distribution Services to GPO Members,” October 26, 2021, <https://newsroom.cardinalhealth.com/2021-10-26-Gastrologix-and-Cardinal-Health-Specialty-Solutions-Announce-Exclusive-Agreement-to-Provide-Distribution-Services-to-GPO-Members>.

¹⁹ 15 U.S.C. 18.