

October 29, 2024

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

Chair Khan,

I write regarding McKesson Corporation's (McKesson's) \$2.49 billion proposed acquisition of a controlling stake in Core Ventures and Cardinal Health's (Cardinal's) \$1.1 billion proposed acquisition of a controlling stake in Integrated Oncology, two management services organizations (MSOs) that oversee 150 oncology practices spanning 11 states.¹ These deals threaten to limit competition by opening the door for Cardinal and McKesson to expand their control of the already highly-concentrated oncology market by restricting affiliated oncology practices from contracting with rival drug wholesalers.² Accordingly, I urge the Federal Trade Commission (FTC) to closely scrutinize these proposed deals and block them if they violate antitrust law.

Three companies – Cardinal, McKesson, and Cencora – control over 90 percent of the drug wholesale market.³ Wholesalers were originally founded to distribute drug products from pharmaceutical manufacturers to the entities that deliver health care, including hospitals, pharmacies, and provider practices.⁴ But over the years, major wholesalers – including Cardinal and McKesson – have leveraged their market power to lock existing customers into restrictive contracts,⁵ block out competing wholesalers,⁶ and squeeze generic drug manufacturers,⁷ leading

¹ The Wall Street Journal, "Why Drug Distributors Are Buying Cancer Specialists," David Wainer, September 27, 2024, <https://www.wsj.com/health/pharma/why-drug-distributors-are-buying-cancer-specialists-0ad12c83>.

² The Commonwealth Fund, "The Impact of Pharmaceutical Wholesalers on U.S. Drug Spending," Elizabeth Seeley, July 20, 2022, <https://www.commonwealthfund.org/publications/issue-briefs/2022/jul/impact-pharmaceutical-wholesalers-drug-spending>.

³ *Id.*

⁴ *Id.*

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/wp-content/uploads/2023/10/20230720-AELP-DrugShortages_Brief_v7.pdf.

⁶ *Id.*

⁷ *Id.*; Foley Hoag, "Federal Regulators Examine the Role of Drug Supply Middlemen on Drug Shortages," February 26, 2024, <https://foleyhoag.com/news-and-insights/publications/alerts-and-updates/2024/february/federal-regulators-examine-the-role-of-drug-supply-middlemen-on-drug-shortages/>.

to more frequent drug shortages⁸ and higher drug costs.⁹ In addition to dominating the wholesale market, Cardinal and McKesson have also amassed a bevy of vertically integrated health care entities, including group purchasing organizations;¹⁰ specialty pharmacies; specialty drug distributors; medical device businesses; data analytic firms; and provider practices.¹¹

Oncology practices are especially lucrative targets for the companies' vertically-integrated business models, which helps explain why the *Wall Street Journal* noted that the three largest wholesalers have started “a turf war” over the few remaining community oncology practices.¹² McKesson kicked off this trend over a decade ago when the company spent \$2.16 billion to acquire a controlling stake in U.S. Oncology, an MSO for the largest network of community oncology practices in the country.¹³ As a result, “McKesson now has about 3,000 medical professionals across 700 locations, making it one of the largest oncology-practice managers in the U.S.”¹⁴ In 2023, Cencora, the nation's second largest wholesaler, acquired a controlling stake in OneOncology, an MSO that controls 1,000 medical professionals in 350 practices.¹⁵ And now, Cardinal is looking to make a \$1.1 billion purchase for a controlling stake in Integrated Oncology, an MSO that controls 50 oncology practices nationwide.¹⁶ Meanwhile, McKesson – seeking to expand its footprint even further – is proposing to spend another \$2.49 billion to acquire a controlling stake in Core Ventures, an MSO for Florida's largest network of community oncologists.¹⁷ By acquiring controlling stakes in oncology practice MSOs, wholesalers can assume control over oncologists while appearing to remain in compliance with state corporate practice of medicine laws, which prohibit corporate entities from directly employing physicians in 33 states.¹⁸

⁸ The 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/>.

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

¹⁰ *Id.*

¹¹ Letter from the American Economic Liberties Project to the Federal Trade Commission, 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>.

¹² The Wall Street Journal, “Why Drug Distributors Are Buying Cancer Specialists,” David Wainer, September 27, 2024, <https://www.wsj.com/health/pharma/why-drug-distributors-are-buying-cancer-specialists-0ad12c83>.

¹³ *Id.*

¹⁴ *Id.*

¹⁵ Letter from the American Economic Liberties Project to the Federal Trade Commission, 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>; The Wall Street Journal, “Why Drug Distributors Are Buying Cancer Specialists,” David Wainer, September 27, 2024, <https://www.wsj.com/health/pharma/why-drug-distributors-are-buying-cancer-specialists-0ad12c83>.

¹⁶ *Id.*

¹⁷ *Id.*; McKesson, “McKesson Signs Agreement to Acquire Controlling Interest in Florida Cancer Specialists & Research Institute's Core Ventures,” August 26, 2024, <https://www.mckesson.com/about-mckesson/newsroom/press-releases/2024/mckesson-signs-agreement-to-acquire-controlling-interest-in-florida-cancer-specialists--research-institutes-core-ventures>.

¹⁸ The New England Journal of Medicine, “A Doctrine in Name Only — Strengthening Prohibitions against the Corporate Practice of Medicine,” Jane M. Zhu, Hayden Rooke-Ley, and Erin Fuse Brown, September 9, 2023, <https://www.nejm.org/doi/full/10.1056/NEJMp2306904>; Letter from the American Economic Liberties Project to the Federal Trade Commission, September 26, 2024, <https://www.economicliberties.us/wp->

Oncology drugs, which tend to have higher average prices than other medicines, drive outsized profits to wholesalers.¹⁹ By controlling oncology practices, Cardinal and McKesson can require affiliated practices to enter into sole-source or prime vendor agreements with their wholesale businesses, “lock[ing] them in as customers”²⁰ and effectively blocking competing wholesalers from offering their services. Common ownership of wholesalers and oncology practices also introduces incentives to employ tactics that will drive greater profits to the parent company – such as increasing drug dosages, drug prices, and the number of patients doctors see at affiliated oncology practices – even if they are not in the best interest of patients or providers.²¹ For example, after Cencora took a controlling stake in OneOncology, the company became the primary distributor for the practices in OneOncology’s network, padding the bottom lines of its parent company.²²

In addition to the clear, anticompetitive risks presented by these deals, Cardinal and McKesson’s proposed acquisitions would further consolidate the already highly-concentrated oncology market. Approximately 70 percent of oncologists are currently employed by or affiliated with hospitals or health systems,²³ making oncology “the most vertically integrated specialty” in the nation.²⁴ I am concerned that, by allowing wholesalers to assume control over the few remaining community oncology practices, which have historically provided an affordable alternative to hospital-based cancer care,²⁵ these deals could stifle competition and lead to even higher costs for patients.

I therefore urge FTC to closely scrutinize these proposed acquisitions, including under Section 7 of the Clayton Act, which prohibits any acquisition that may substantially lessen competition or tend to create a monopoly.²⁶ If the FTC determines either of these deals would violate antitrust

[content/uploads/2024/09/2024-9-26-Letter-to-FTC-on-McKesson-and-Cardinal-Health-Proposed-Acquisitions-FINAL.pdf](#)

¹⁹ McKesson, “McKesson Corporation Reports Fiscal 2024 Fourth Quarter and Full Year Results,” May 7, 2027, <https://www.mckesson.com/about-mckesson/newsroom/press-releases/2024/mckesson-corporation-reports-fiscal-2024-fourth-quarter-and-full-year-results/>; Reuters, “Cardinal Health lifts 2025 profit outlook on strong demand for costly specialty drugs,” August 14, 2024, <https://www.reuters.com/business/healthcare-pharmaceuticals/cardinal-health-lifts-2025-profit-outlook-strong-demand-costly-specialty-drugs-2024-08-14/>.

²⁰ The Wall Street Journal, “Why Drug Distributors Are Buying Cancer Specialists,” David Wainer, September 27, 2024, <https://www.wsj.com/health/pharma/why-drug-distributors-are-buying-cancer-specialists-0ad12c83>.

²¹ Letter from the American Economic Liberties Project to the Federal Trade Commission, 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>.

²² Drug Channels, “The Battle for Oncology Margin: How Private Equity Enables Vertical Integration by Pharmaceutical Wholesalers (rerun),” Dr. Adam J. Fein, December 14, 2023, <https://www.drugchannels.net/2023/12/the-battle-for-oncology-margin-how.html>.

²³ The Wall Street Journal, “Why Drug Distributors Are Buying Cancer Specialists,” David Wainer, September 27, 2024, <https://www.wsj.com/health/pharma/why-drug-distributors-are-buying-cancer-specialists-0ad12c83>.

²⁴ National Library of Medicine, “Does American Cancer Need a Bailout? Independent Oncology Practices in the COVID-19 Era,” Zachary AK Frosch, Lawrence N. Shulman, and Justine E. Bekelman, September 1, 2021, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8278977/>.

²⁵ The Wall Street Journal, “Why Drug Distributors Are Buying Cancer Specialists,” David Wainer, September 27, 2024, <https://www.wsj.com/health/pharma/why-drug-distributors-are-buying-cancer-specialists-0ad12c83>.

²⁶ 15 U.S.C. 18.

law, to the detriment of patients who depend on the services and drugs provided by these companies, I urge you to block them.

Sincerely,

A handwritten signature in black ink, appearing to read "Elizabeth Warren", written in a cursive style. The signature is positioned above a horizontal line.

Elizabeth Warren
United States Senator