

Healthcare Trend Report

A Review of the Pharmacy and Drug Supply Chain Sectors

Holland & Knight

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Overview

At a time when market volatility is creating uncertainty in the healthcare markets and policy and regulatory shifts are causing confusion on reimbursement and compliance, Holland & Knight's Drug and Device Supply Chain practice continues to see increasing demand for deep experience in navigating the nuanced opportunities and challenges present in the delivery of drugs and devices to patients.

Investment activity in this sector has seen a recent surge due to a confluence of factors, making it an attractive sector for investors seeking both financial returns and positive social impact. The sector comprises companies that directly deliver drugs and devices to patients (e.g., pharmacies, device suppliers and infusion service providers), companies further up the supply chain (e.g., distributors and wholesalers) and ancillary services providers (e.g., 340B consulting support, prior authorization platforms and specialty pharmacy management services).

Existing platforms across supply chain ecosystems, with proven services, expertise and infrastructure, are building investment theses based on their ability to enhance specialty patients' access to therapy while positively impacting both affordability and adherence.

Top buyers across both the strategic and private equity (PE) spaces continue to show sustained interest in the drug and device supply chain. For PE funds and other investors, it continues to represent a diversified opportunity to benefit from the "rising tide" of growth in the underlying pharma and biotech sectors. For strategic platforms, it is an opportunity for further competitive differentiation, addressable market expansion and new market entry.

Recent Trends in Drug and Device Delivery

Specialty Pharmacy

The specialty pharmacy space – i.e. those pharmacies that offer higher touchpoints with patients, typically managing complex and expensive medication therapies and difficult disease states – is one of the few healthcare sectors that did not see a meaningful deceleration in the post-COVID-19 market. Particularly given concerns about reimbursement for traditional retail pharmacies, investment activity in the specialty pharmacy space continues to be a focus for the market.

Specialty pharmacies take a more active role in managing patients' medication therapy, often collaborating care with prescribers and other physicians to holistically manage patient therapy outcomes. Moreover, specialty pharmacies are uniquely situated to ensure adherence to therapy, as intended by the manufacturers of specific products, providing key insights into patient care for all stakeholders.

Infusion Services

More specifically, deal activity in the infusion space has been particularly active – with little sign of slowing down. Looking at the data, 2024 was the second-most active year on record for infusion mergers and acquisitions (M&A) behind 2022, and 2025 continued this trend. In particular, deal activity and investor interest remain highest in the ambulatory infusion center space, as opposed to home-based models such as home infusion delivery. With respect to therapeutic classes, intravenous immunoglobulin (IVIG) and neurology have seen particular interest within the infusion and specialty pharmacy sector.

Infusion services, regardless of setting, straddle the line between traditional pharmacy services, which primarily involve dispensing of prescription drugs, and medical services, including nursing services and physician administration of prescription drugs.

Ancillary Services: Hubs, Specialty Pharmacy Management and Others

There has also been an uptick in activity involving ancillary service providers that offer various services to the traditional players within the drug and device supply chain – for example, hub services that provide support for manufacturers, patients and prescribers alike, such as support on benefits investigation, prior authorization, financial and co-pay assistance, and data reporting. Specialty pharmacy management services that assist various entities such as hospitals establish and operate in-house specialty pharmacies have seen increased activity. Other areas include models that assist with cost containment (particularly with respect to high-spend areas such as specialty and infusion) for employers, such as direct-to-employer arrangements.

Given the complexities of drug and device delivery and the high costs associated with such care, there continue to be new business models – and investment opportunities – that aim to facilitate care and cost management measures.

Expert Insights from Bailey & Company

Bailey & Company, an investment bank focused on strategic transactions in the middle-market healthcare sector, has closed more than 200 transactions for over \$15 billion of transaction value. In preparing this report, **James Metcalf**, managing director and co-head of Bailey's healthcare services, provided insights on what his company is observing across the sector.

- **Infusion Pharmacy Remains Highly Active:** Infusion services, especially ambulatory centers focusing on therapeutic areas such as IVIG and neurology, have seen sustained investor enthusiasm, with 2024 being the second-most active year for infusion M&A and 2025 maintaining this momentum. Institutional pharmacy is also witnessing renewed interest.
- **Diverse Acquirers and Regulatory Impact:** Besides private equity, potential buyers include drug distributors, pharmaceutical companies and, eventually, vertically integrated payviders and pharmacy benefit managers (PBMs), though regulatory scrutiny currently limits PBM activity. Consulting firms specializing in 340B program complexities are gaining prominence due to regulatory challenges.
- **Growth in Ancillary Pharmacy-Related Services:** M&A activity is notable in hub services and software solutions that enhance patient access to specialty drugs, with significant tailwinds from e-prescribing and automated prior authorization initiatives. Emerging models include direct-to-employer specialty pharmacy and infusion services aimed at cost-effective care delivery.

Deal Trends

PE interest is driven primarily by the increasing specialized IV-based drug products and treatment programs. Additionally, low- to medium-acuity services are generally provided at lower rates outside of inpatient settings. There has been a clear market shift toward outpatient services across healthcare – within the patient's home, ambulatory settings and physician offices.

Outside of PE, strategic investments have been driven by drug distributors/wholesalers, manufacturers and others looking to further vertically integrate and diversify – all amid growing conversations about regulatory scrutiny. Notably, some of the nation's largest distributors and wholesalers have been acquiring and/or investing in more traditional provider-side management service organizations, including those specializing in oncology, urology and ophthalmology/retina care – diversifying their position outside of the drug and device delivery space.

Recent Industry Deals*

- Optum acquired FlexCare Infusion, a portfolio of several companies focused primarily on ambulatory infusion, from RC Capital and other investors.
- Revelstoke Capital Partners announced its recapitalization of AOM Infusion, a specialty infusion provider focused on chronic therapy management.
- A going-private transaction for the sale of Walgreens Boots Alliance to PE firm Sycamore Partners was announced.
- Walgreens has suffered significant losses – a reported operating loss of \$14.1 billion for fiscal year 2024 – since expanding into primary care (via its VillageMD subsidiary) by acquiring home-based care provider CareCentrix. On March 6, 2025, Sycamore Partners announced it had entered into a definitive agreement to acquire the retail-healthcare giant for \$10 billion in cash, plus an amount to pay off the company's outstanding debt and other liabilities. The total value of the transaction represents up to \$23.7 billion.
- Court Square Capital Partners and WindRose Health Investors closed a private joint investment in Soleo Health, a national provider of specialty pharmacy and infusion services.
- Maxor National Pharmacy Services acquired ProsysRx from Fulcrum Equity Partners, which will position the combined entity as the largest independent provider of pharmacy management services to health systems, hospitals, clinics and other provider organizations.
- Dynamic Infusion, a leading provider of home infusion nursing services backed by RiverGlade Capital, announced the acquisition of CCE Partners, d/b/a Solution Nursing, a leading provider of home infusion nursing services on behalf of specialty pharmacies.
- Inlet Road Capital Management acquired Druid City Vital Care, a leading ownership group within the Vital Care Infusion Services franchise system.

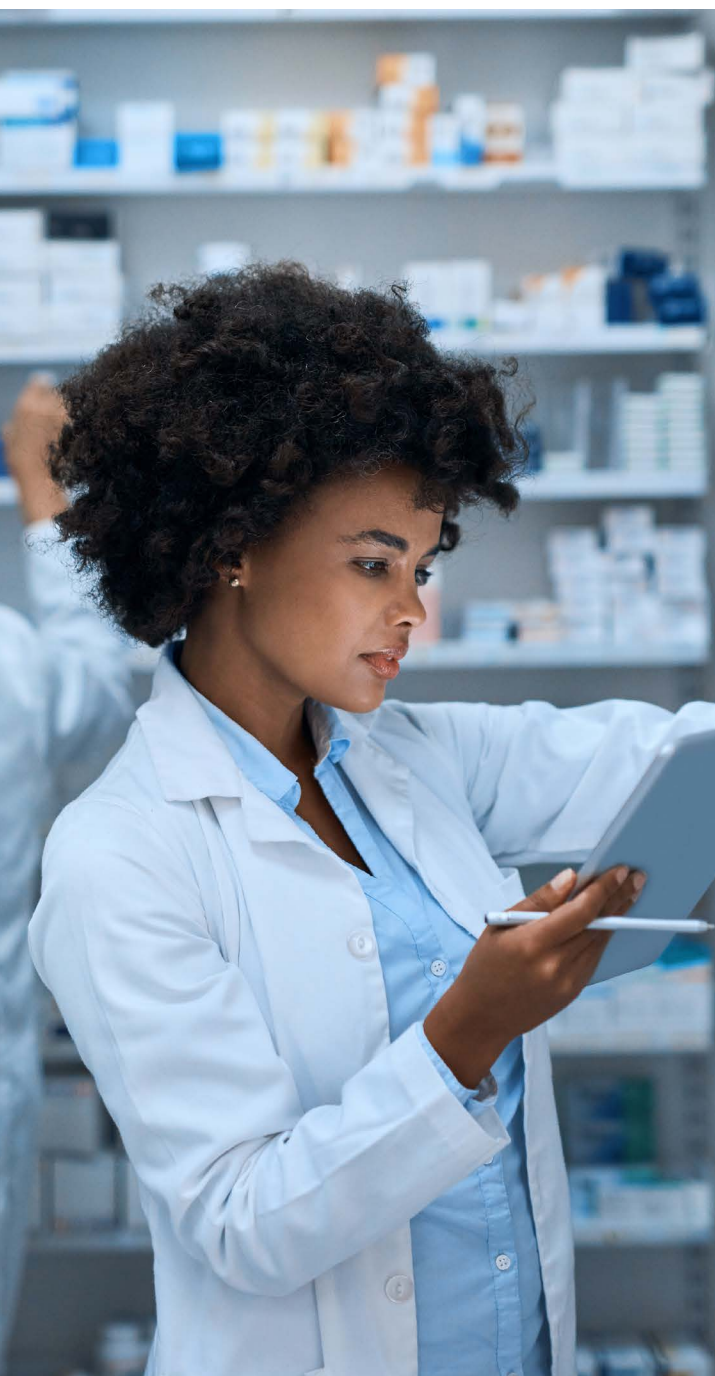
* These industry deals were not completed by Holland & Knight



Drivers Increasing Investments in Pharmacy Services

Demographic and Healthcare Trends

- **Aging Population:** The growing elderly population requires more medications and related services, creating a robust and consistent demand for pharmacy offerings.
- **Rising Chronic Disease Prevalence:** Increased rates of chronic conditions such as diabetes and heart disease translate to higher medication needs and specialized pharmaceutical care, further bolstering market growth.
- **Increased Healthcare Spending:** Governments and individuals are investing more in healthcare, leading to increased consumption of pharmaceuticals and supporting the expansion of pharmacy services. In particular, drug spend has continued to be a focal point for both governmental and private payers, leading to increased scrutiny on fraud, waste and abuse.



Evolving Pharmacy Landscape

- **Expansion of Pharmacy Services:** Pharmacies are diversifying beyond dispensing medications, offering services such as immunizations, health screenings and medication therapy management, making them more comprehensive healthcare hubs. This has become particularly prominent in the post-COVID-19 times, where many pharmacies are expanding beyond the traditional drug-dispensing models.
- **Rise of Specialty Pharmacy:** The increasing complexity and cost of specialty medications, often for chronic or rare conditions, require specialized handling and patient support, creating growth opportunities within specialty pharmacy.
- **Technological Advancements:** Digital pharmacies, telehealth and automation technologies are transforming pharmacy operations, improving efficiency, patient engagement and accessibility, thereby attracting investment.
- **Mail-Order and Online Pharmacies:** Consumers are increasingly turning to online pharmacies for convenience and potentially lower prices, driving growth in this segment.

Business and Investment Opportunities

- **Opportunities for Consolidation and Efficiency Gains:** Investors see potential in consolidating independent pharmacies or smaller chains to leverage economies of scale, improve operational efficiency and enhance profitability. In particular, consolidation of negotiating power – such as lower acquisition costs and higher reimbursements – has been an effective tool for the pharmacy sector.
- **Potential for Value-Based Care Integration:** Specialty pharmacies and those offering expanded services can better align with value-based healthcare models, potentially improving patient outcomes and reducing costs, which are increasingly favored by payers.
- **Ancillary Services Opportunities:** As noted above, ancillary service providers that facilitate drug delivery and cost containment without being fully embedded in the distribution or dispensing of medication are attractive investment targets, typically with less regulatory scrutiny



Other Factors

- **Regulatory and Policy Shifts:** Changes in regulations related to prescription drug pricing, dispensing practices or scope of pharmacy services can create new opportunities or challenges, attracting investors looking to capitalize on market shifts.
- **Focus on Patient-Centric Care:** Pharmacies that prioritize patient needs and offer personalized services are gaining popularity and attracting investment, reflecting a broader trend toward patient-centered healthcare.
- **Attractive Option:** The pharmacy sector's attractiveness stems from a combination of demographic trends, healthcare needs, evolving business models and technological advancements. Investors see the potential for stable returns and positive social impact in this dynamic landscape.

Regulatory Considerations for Pharmacy Services

Key regulatory issues in the drug and device supply chain involve compliance with federal and state laws, including those related to fraud and abuse, patient privacy, drug pricing and billing practices. Understanding these laws, coupled with expert due diligence, will allow investors to better understand the regulatory profile of an investment and, consequently, the true valuation of the target.

Here's a high-level breakdown of some common regulatory hurdles and how they impact various entities within the drug and device supply chain.

Fraud and Abuse Laws

- **Anti-Kickback Statute (AKS):** AKS prohibits offering or receiving anything of value in exchange for referrals of federal healthcare program business. This statute is front and center for healthcare companies participating in federal healthcare programs such as Medicare, given that it impacts how a pharmacy (or others in the drug and device supply chain) may or may not market its services to patients, prescribers and other referral sources, as well as financial relationships with pharmaceutical manufacturers.
- **Stark Law:** This law restricts physician self-referral for designated health services (DHS), including outpatient drugs and certain devices such as durable medical equipment (DME). This strict liability statute impacts how a DHS entity can enter into financial arrangements with physicians, including those dealing with compensation (e.g., medical director arrangements) and ownership (e.g., in any joint venture arrangements).
- **False Claims Act (FCA):** The FCA imposes liability for submitting false claims to government healthcare programs – including for prescription drugs and devices billed to Medicare Part B or Part D – and often serves as a vehicle for underlying contractual or regulatory violation, including AKS and the Stark Law. The qui tam provision of the statute drives much of the healthcare fraud and abuse enforcement, often through large, "bet the company" types of litigation.

State Boards of Pharmacy Regulations

- **Licensing and Permits:** Various businesses within the supply chain must adhere to state licensing requirements for dispensing, compounding, distributing or otherwise handling drugs and devices. Failure to be properly licensed impacts not only the ability of companies to lawfully operate the business, but also the ability to obtain reimbursement. For example, various states differ on licensing of infusion service providers, whether in an ambulatory setting, in physician offices or for home infusion delivery.
- **Dispensing Regulations:** States have specific rules about dispensing medications, including controlled substances, prescriptions and pharmacist oversight such as patient counseling.
- **Compounding Regulations:** Pharmacies engaging in compounding must comply with United States Pharmacopeia (USP) standards and state-specific regulations, particularly for sterile compounding.

Drug Enforcement Administration and Controlled Substances Act

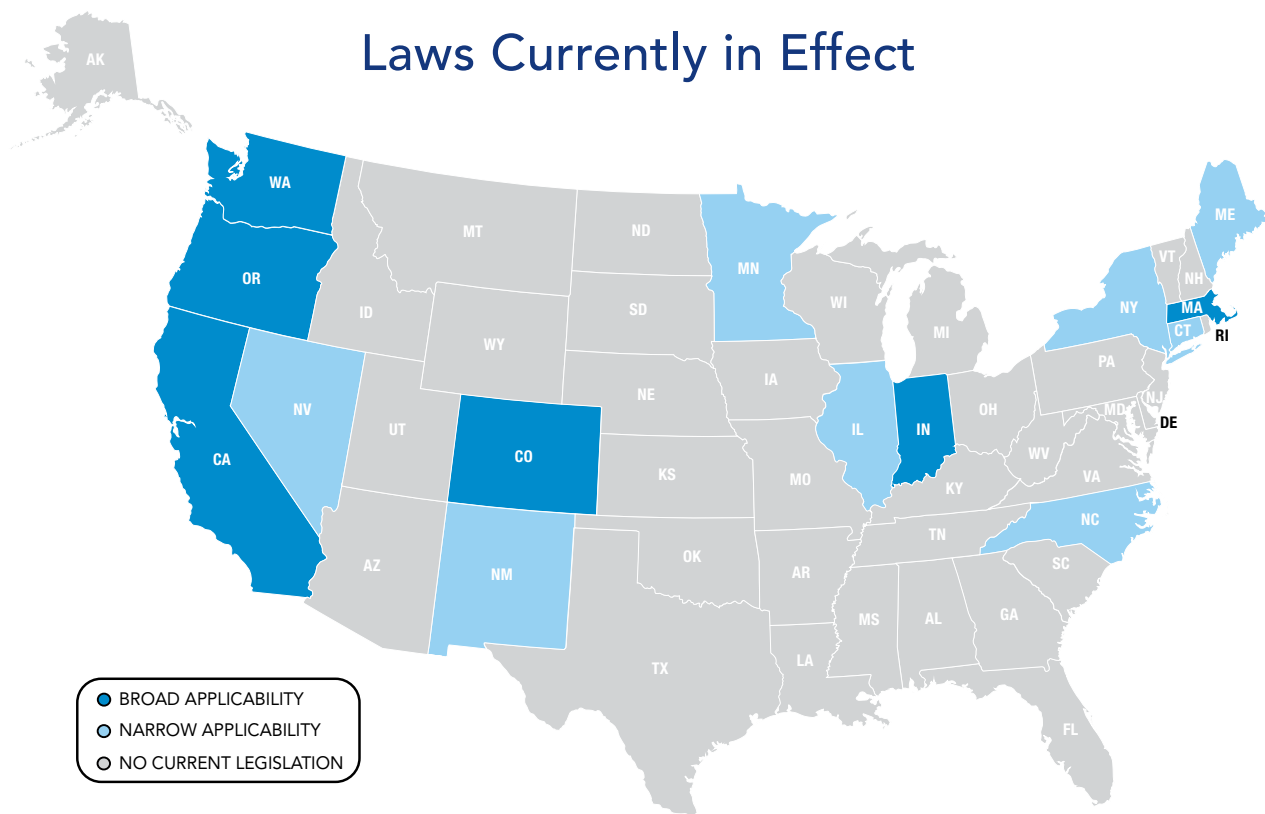
- **Registration and Recordkeeping:** Pharmacies that handle controlled substances must register with the U.S. Drug Enforcement Administration (DEA) and comply with specific recordkeeping requirements. These requirements are also often coupled with state laws that regulate handling and dispensing of controlled substances.
- **Recordkeeping and Inventory:** Stringent recordkeeping is required for all controlled substance transactions, including ordering, receiving, dispensing and disposal.
- **Security:** Pharmacies must implement measures to prevent diversion and theft of controlled substances.

Corporate Practice of Medicine

- **State Laws:** Some states restrict nonphysicians from owning or controlling medical practices, potentially affecting pharmacy ownership models and employment of physicians depending on the drug delivery model. As such, Corporate Practice of Medicine (CPOM) laws may be an important consideration when evaluating the regulatory implications of different dispensing models (such home infusion pharmacies versus ambulatory infusion center that utilize physicians), as it may impact the ability and structure of nonphysician investment in the infusion space.

Other Regulatory Issues

- **State "Mini-HSR" Premerger Notifications:** Many states have enacted premerger notification Hart-Scott-Rodino Act (HSR) and other requirements particular to healthcare entities, including pharmacies and others in the drug and device supply chain. These laws invite scrutiny of specific healthcare transactions by states, similar to the Federal Trade Commission's review of specific transactions.
 - Holland & Knight's [HK Navigator](#) maps healthcare transactions laws.



This map identifies state laws that have been enacted or proposed in connection with increased scrutiny by states of healthcare transactions. Other long-standing transaction review requirements found in state licensure, not-for-profit, insurance and risk bearing organizations, certificate of need and hospital laws are not displayed here. In addition, other states have proposed similar legislation that failed to pass and/or is currently pending in the respective legislatures. This page is current as of October 20, 2025. For the latest information on emerging issues and new developments, please contact our team of Holland & Knight attorneys.

- **Other Regulatory Restrictions on Ownership:** There are increasing discussions both at the state and federal levels that may impact, in particular, ownership of pharmacies by certain entities, whether by PE or strategic acquirers. It will be important to keep apprised of any such new laws that could impact specific investors from maintaining ownership interests in any healthcare entities, including pharmacies and others in the drug and device supply chain.

Summary

Investment activity within the drug and device supply chain is experiencing a significant surge, driven by demographic trends, healthcare needs and evolving business models. This sector encompasses pharmacies, infusion services, distributors and ancillary providers, with a particular emphasis on specialty pharmacy and infusion centers. Both PE and strategic investors are actively pursuing growth opportunities, despite the complexities of regulatory environments.

The specialty pharmacy sector, which manages complex and costly therapies, remains a focal point for investment due to its critical role in patient adherence and therapy outcomes. The infusion services market, particularly ambulatory infusion centers, has witnessed robust M&A activity, with a notable interest in IVIG and neurology treatments. Providers offering ancillary services, such as benefits investigation, prior authorization and specialty pharmacy management, are attracting investment attention for their role in facilitating drug delivery and cost containment.

PE investors are particularly drawn to specialized intravenous therapies and outpatient services, while strategic investors are pursuing vertical integration.

The pharmacy landscape is evolving beyond traditional dispensing to include immunizations, health screenings, telehealth and online pharmacies, reshaping the sector and attracting investment. Business opportunities in this sector include consolidation for efficiency, integration of value-based care and the provision of ancillary services, all of which present attractive investment avenues with the potential for improved patient outcomes and cost management.

Investors must carefully evaluate regulatory considerations – including compliance with fraud and abuse laws, state pharmacy regulations, DEA requirements, the Health Insurance Portability and Accountability Act (HIPAA), and ownership restrictions – to assess risks and valuations within the drug and device supply chain.

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About Holland & Knight's Pharmacy Practice

Led by industry veterans who have experience as both in-house general counsel and outside counsel, Holland & Knight's multidisciplinary Pharmacy Team stays current with the latest developments and trends in the pharmacy sector, including federal and state law changes, policy issues, industry trends and evolving distribution models. We provide forward-thinking advice and solutions to help a variety of clients on matters involving:

- federal, state and local regulatory compliance
- licensing and permitting
- contract negotiation and review
- business formation and transactions
- compliance programs, audits and investigations
- dispute resolution and litigation

View more information about Holland & Knight's [Pharmacy Team](#).



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