

The Health Care *Fortune* 500

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Background

- *Fortune* groups companies into 21 sectors.
- This edition of the 5 Slide Series analyzes the 2017 health care sector *Fortune* 500 companies, as well as CVS, Walgreens, Rite Aid, and McKesson, for a total of 46 companies.
- We analyzed the companies by revenue rank, profit rank, revenues, profit, and percentage profit margin. The 2017 *Fortune* 500 list is based on CY2016 company performance data.

Current (2017) *Fortune* 500 Companies by Business Sector

Category	Number of Companies	CY2016 Revenue (in \$1,000,000s)	CY2016 Profits (in \$1,000,000s)	CY2016 Profit Margin
Technology	43	\$1,257,589	\$177,901	14.1%
Hotels, Restaurants & Leisure	10	\$121,189	\$14,511	12.0%
Food, Beverages & Tobacco	24	\$472,806	\$56,308	11.9%
Business Services	20	\$194,685	\$23,107	11.9%
Media	11	\$180,767	\$20,035	11.1%
Financials	84	\$2,067,607	\$228,461	11.0%
Household Products	12	\$180,846	\$19,804	11.0%
Apparel	5	\$66,254	\$6,319	9.5%
Telecommunications	10	\$459,978	\$41,273	9.0%
Chemicals	14	\$188,667	\$15,918	8.4%
Transportation	17	\$354,733	\$28,395	8.0%
Industrials	19	\$418,359	\$32,826	7.8%
Aerospace & Defense	12	\$338,302	\$25,120	7.4%
Health Care	46	\$1,954,210	\$115,638	5.9%
Motor Vehicles & Parts	9	\$392,466	\$17,276	4.4%
Engineering & Construction	13	\$124,682	\$5,072	4.1%
Retailing	47	\$1,383,281	\$46,614	3.4%
Materials	19	\$169,755	\$5,177	3.0%
Wholesalers	23	\$311,683	\$5,431	1.7%
Food & Drug Stores	5	\$241,598	\$4,184	1.7%
Energy	57	\$1,176,417	\$371	0.0%
Total	500	\$12,055,874	\$889,740	7.4%

- The health care sector represented 9.2% of the *Fortune* 500 companies, 16.2% of the *Fortune* 500 companies' CY2016 revenues, and 13.0% of the *Fortune* 500 companies' profits.
- Health care companies have become more prominent within the *Fortune* 500 list. The health care industry had 46 *Fortune* 500 firms during 2017, as compared with 44 during 2010 and 36 during 2000. In 2017, seven health care companies were in the top 25 versus four in 2010 and zero in 2000.
- Collectively, the 46 health care companies earned a 5.9% profit margin during CY2016, whereas the entire *Fortune* 500 group earned a collective profit margin of 7.4%.
- The top 3 *Fortune* 500 companies in terms of profit margin during CY2016 were eBay (a technology firm at 80%), Altria Group (a tobacco company at 74%), and Baxter International (a health care company at 49%).

Fortune 500 Health Care Companies by Industry

Category	Number of Companies	CY2016 Revenue (in \$1,000,000s)	CY2016 Profits (in \$1,000,000s)	CY2016 Profit Margin
Pharmaceuticals	10	\$306,867	\$67,748	22.1%
Medical Products and Equipment	7	\$76,898	\$10,375	13.5%
Health Care: Pharmacy and Other Services	5	\$301,849	\$10,214	3.4%
Health Care: Insurance and Managed Care	8	\$499,645	\$15,095	3.0%
Food and Drug Stores	2	\$148,088	\$4,339	2.9%
Health Care: Medical Facilities	8	\$133,130	\$1,953	1.5%
Wholesalers: Health Care	6	\$487,733	\$5,916	1.2%
Grand Total	46	\$1,954,210	\$115,638	5.9%

- The ten pharmaceutical companies represented the largest subcategory of health care companies in the 2017 *Fortune* 500. These companies had a collective profit margin of 22% and accounted for more than half of the total profits of *Fortune* 500 health care companies.
- Insurance and managed care companies captured the largest CY2016 revenues among the *Fortune* 500 health care companies.

Insurance and Managed Care

Category/Company Name	Fortune's Rank	Rank by Profit	CY2016 Revenue (in \$1,000,000s)	CY2016 Profits (in \$1,000,000s)	CY2016 Profit Margin
Health Care: Insurance and Managed Care			\$499,645	\$15,095	3.0%
UnitedHealth Group	6	33	\$184,840	\$7,017	3.8%
Anthem	29	91	\$84,863	\$2,470	2.9%
Aetna	43	100	\$63,155	\$2,271	3.6%
Humana	53	266	\$54,379	\$614	1.1%
Centene	66	283	\$40,721	\$562	1.4%
Cigna	70	122	\$39,668	\$1,867	4.7%
Molina Healthcare	156	431	\$17,782	\$52	0.3%
WellCare Health Plans	195	372	\$14,237	\$242	1.7%

- The eight *Fortune* 500 health insurance companies were all in the top 200, with six in the top 70.
- UnitedHealth Group (*Fortune* #6) had more than twice the CY2016 revenue as the next largest health insurance company (Anthem at *Fortune* #29). These two companies were the only health insurance companies among the top 100 in terms of CY2016 profits.
- All eight companies earned a positive profit margin during CY2016, with the highest being Cigna (4.7%). Collectively, the eight health insurance companies earned an average profit of 3.0%.

Pharmaceuticals

Category/Company Name	Fortune's Rank	Rank by Profit	CY2016 Revenue (in \$1,000,000s)	CY2016 Profits (in \$1,000,000s)	CY2016 Profit Margin
Pharmaceuticals			\$306,867	\$67,748	22.1%
Johnson & Johnson	35	8	\$71,890	\$16,540	23.0%
Pfizer	54	32	\$52,824	\$7,215	13.7%
Merck	69	61	\$39,807	\$3,920	9.8%
Gilead Sciences	92	12	\$30,390	\$13,501	44.4%
AbbVie	111	40	\$25,638	\$5,953	23.2%
Amgen	123	29	\$22,991	\$7,722	33.6%
Eli Lilly	132	82	\$21,222	\$2,738	12.9%
Bristol-Myers Squibb	147	53	\$19,427	\$4,457	22.9%
Biogen	248	65	\$11,449	\$3,703	32.3%
Celgene	254	116	\$11,229	\$1,999	17.8%

- The 10 pharmaceutical companies in the *Fortune* 500 had the highest collective average profit margin across the health care industry during CY2016 (22.1%).
- Gilead Sciences earned the highest profit margin among these firms (44.4%), driven by their Hepatitis C drugs. The lowest profit margin among these ten companies during CY2016 (Merck at 9.8%) earned a larger profit margin than all *Fortune* 500 firms collectively earned.

Pharmacy and Other Services

Category/Company Name	Fortune's Rank	Rank by Profit	CY2016 Revenue (in \$1,000,000s)	CY2016 Profits (in \$1,000,000s)	CY2016 Profit Margin
Health Care: Pharmacy and Other Services			\$449,937	\$14,552	3.2%
CVS Health	7	44	\$177,526	\$5,317	3.0%
Walgreens Boots Alliance	17	58	\$117,351	\$4,173	3.6%
Express Scripts Holding	22	72	\$100,288	\$3,404	3.4%
Rite Aid	91	400	\$30,737	\$166	0.5%
Laboratory Corp. of America	290	238	\$9,642	\$732	7.6%
Quest Diagnostics	366	260	\$7,515	\$645	8.6%
Quintiles IMS Holdings	390	415	\$6,878	\$115	1.7%

- CVS (*Fortune* #7) was the largest company in the Pharmacy and Other Services category and had the largest CY2016 profits (\$5.3 billion) in this subgroup.
- Quest Diagnostics (*Fortune* #366) had the largest percentage profit margin among this subgroup during CY2016 (8.6%). The other diagnostics firm in this group, LabCorp, also had a strong profit margin (7.6%).

Medical Facilities

Category/Company Name	Fortune's Rank	Rank by Profit	CY2016 Revenue (in \$1,000,000s)	CY2016 Profits (in \$1,000,000s)	CY2016 Profit Margin
Health Care: Medical Facilities			\$133,130	\$1,953	1.5%
HCA Holdings	63	79	\$44,747	\$2,890	6.5%
Community Health Systems	130	490	\$21,374	-\$1,721	-8.1%
Tenet Healthcare	134	452	\$21,070	-\$192	-0.9%
DaVita	181	217	\$15,197	\$880	5.8%
Universal Health Services	276	245	\$10,508	\$702	6.7%
LifePoint Health	374	410	\$7,274	\$122	1.7%
Kindred Healthcare	376	478	\$7,227	-\$664	-9.2%
Genesis Healthcare	454	443	\$5,733	-\$64	-1.1%

- HCA Holdings (*Fortune* #63) was the only medical facility company in the top 100.
- 4 of the 8 Medical Facility companies in the *Fortune* 500 lost money during CY2016.

Medical Products and Equipment

Category/Company Name	Fortune's Rank	Rank by Profit	CY2016 Revenue (in \$1,000,000s)	CY2016 Profits (in \$1,000,000s)	CY2016 Profit Margin
Medical Products and Equipment			\$76,898	\$10,375	13.5%
Abbott Laboratories	135	152	\$20,853	\$1,400	6.7%
Becton Dickinson	225	195	\$12,483	\$976	7.8%
Stryker	252	136	\$11,325	\$1,647	14.5%
Baxter International	281	48	\$10,163	\$4,965	48.9%
Boston Scientific	327	341	\$8,386	\$347	4.1%
Zimmer Biomet Holdings	352	355	\$7,684	\$306	4.0%
St. Jude Medical	434	237	\$6,004	\$734	12.2%

- The medical products and equipment companies had the second highest average profit margin in the health care industry at 13.5%.
- Baxter International makes renal products, infusion systems, and software. Baxter earned a huge 48.9% profit margin during CY2016.

Wholesalers

Category/Company Name	Fortune's Rank	Rank by Profit	CY2016 Revenue (in \$1,000,000s)	CY2016 Profits (in \$1,000,000s)	CY2016 Profit Margin
Wholesalers: Health Care			\$487,733	\$5,916	1.2%
McKesson	5	102	\$192,487	\$2,258	1.2%
AmerisourceBergen	11	148	\$146,850	\$1,428	1.0%
Cardinal Health	15	149	\$121,546	\$1,427	1.2%
Henry Schein	243	298	\$11,572	\$507	4.4%
Owens & Minor	288	416	\$9,723	\$109	1.1%
Patterson	466	391	\$5,555	\$187	3.4%

- While all the health care wholesalers companies achieved positive earnings during CY2016, this subgroup had the lowest average profit margin across the health industry at 1.2%.
- This subgroup contains three of the nation's 15 largest companies in terms of CY2016 revenues – McKesson (*Fortune* #5), Amerisource Bergen (*Fortune* #11), and Cardinal Health (*Fortune* #15).

5 Slide Series Overview

Our 5 Slide Series is a monthly publication whereby we briefly discuss/address a selected topic outside the confines of our client engagements.

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