

21 Feb 2023 | Analysis

# 'Disruptor' Mark Cuban Takes Aim At US Industry Barriers

*Billionaire Entrepreneur Says Trust And Transparency Will Lift Reputation Of Generics*

by **David Wallace**

During a lively discussion at the AAM's Access! conference in Orlando, billionaire entrepreneur Mark Cuban set out how he plans to use his Cost Plus Drugs company to disrupt the generics sector while also lifting its reputation by increasing trust and transparency among patients.

A year after launching the Cost Plus Drugs company, billionaire entrepreneur Mark Cuban has reaffirmed his intention to disrupt the generics sector, albeit in partnership with US off-patent industry players.

The company's model is based on the idea of a transparent cost price for a given product, with consistent and clearly conveyed markups and additional costs.

Speaking at the Association for Accessible Medicines' Access! conference in Orlando, Florida in mid-February, Cuban set out his goals for the company, which launched in early 2021 and rolled out its online pharmacy a year later. (Also see "[Mark Cuban's Generics Company Launches Online Pharmacy](#)" - Generics Bulletin, 24 Jan, 2022.)

In comments that prompted applause, laughter, and finally an ovation, Cuban took aim at the barriers he perceived to a well-functioning industry – including pharmacy benefit managers, dysfunctional pricing, opaque systems, industry middlemen and even the

## ***Billionaire Mark Cuban Surprises With US Generics Venture***

By **Akriti Seth**

prevalence of impenetrable acronyms – while at the same time promising to speak up to highlight the benefits being offered by the generics industry that were however not clearly understood by the general public.

Interviewed in front of conference attendees by Teva chief operating officer for US generics and biosimilars Christine Baeder – who has just become chair of the AAM’s board (Also see "[AAM Names Teva’s Baeder Chair As It Kicks Off Annual Meeting](#)" - Generics Bulletin, 15 Feb, 2023.) – Cuban acknowledged upfront that he wanted to be identified closely with the Cost Plus Drugs business.

“We were the upstarts, we were coming out of nowhere,” he said. “And I wanted people to know I was committed to it – financially, emotionally, intellectually. I also wanted patients to know they could trust it.”

19 Jan 2021

To increase transparency and affordability, American billionaire and businessman Mark Cuban has launched a US generics venture under the name ‘the Mark Cuban Cost Plus Drugs Company.’ Cuban’s new company is hoping to introduce over 100 drugs by the end of 2021 and build a pharmaceutical factory of its own by 2022.

[Read the full article here](#)

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Asked what got him interested in the venture in the first place, Cuban said “we all have had experiences where somebody we know wasn’t able to afford their medication. And I’ve been delving into healthcare starting probably five, six years ago, and the more I learned about what was going on, and with medications, drug sales – it’s insane. It’s just half-assed backwards, distorted, opaque.”

“For the last 25 years, it’s been a mess. And when I see industries like that, they’re ripe for disruption. And I like to disrupt.” His initial intentions had been backed up by the response to the venture, he suggested. “If there were no patients/customers, I would have been wrong. But that’s just not been the case.”

Thanking firms that had supported Cost Plus Drugs, Cuban said “we needed your help as generic

manufacturers, just to get started. If you guys hadn't come up and sold to us and got the ball going, then we never would have been able to gain any momentum whatsoever. And so you guys took a chance on us. So I owe you each and every one of you." Meanwhile, among patients "the response has been 10 times more than we ever expected."

### Transparency And Trust Are Key

Asked what the central goals had been for the business as it entered the healthcare sector, Cuban said "to simplify it and add transparency."

"There's not a lot of trust in the whole supply chain," he suggested, with complications around pharmacies, insurance, pricing and co-payments leading to confusion and fear for many patients. "And so, you know, looking at that process, there was a lot of room for transparency."

Whereas with Cuban's company, "someone can go to [our website], put in the name of the medication. And you see our cost. You see the price – all of you who have sold to us, what you sell to us for. That's the price you see, plus 15% markup, \$3 pharmacy fee, \$5 shipping."

"That transparency was everything, because now people can start to trust that they're getting the legitimate price. And they know going in whether it's a price they can afford or not."

Summarizing the intent, Cuban said "our business is very simple. We buy drugs, we sell drugs. We want to be the low-cost provider of every drug we're legally able to sell. That's it. And we're starting with generics for obvious reasons."

"We want to sell everything that you have to offer."

While the firm had "nothing specific to announce" on rumored moves into insulins and biosimilars, Cuban said current initiatives did involve "partnering with a lot of independent pharmacies" – so that the firm would not be just be mail order – with a pilot rolling out from 1 March. "And the goal is to again to allow patients to get their medications, how, where, when they want them, at a price they can afford."

### Generics Market Distorted By PBMs And Insurers

#### **'Middlemen' Markups Are Penalizing Patients, Says AAM**

By [Chloe Kent](#)

14 Mar 2022

The Association for Accessible Medicines has launched its Markup Madness campaign, which seeks to draw attention to the disparity in cost between generic drugs upon entry to the supply chain and when purchased in pharmacies.

[Read the full article here](#)

Cuban also emphasized that he understood the obstacles in the market for the off-patent industry.

“You guys know, manufacturing and selling generics, the distortions you face with PBMs and insurance companies,” he outlined. “The fact that an insurance company wants you to price your generic at, [or] even sometimes above a brand price is insane. It is just absolutely freakin’ insane. And we’re just going to say f\*\*\* that sh\*\*. Sorry, you know, that’s just not going to happen.”

Cuban also suggested that the generics industry had not benefited from the reputation it deserved. “The PBMs, in particular have done a phenomenal job of demonizing all the manufacturers, generic and brand,” he commented. “Now, every patient in the world thinks you guys are the bad guys.”

“It’s just wrong, that you’ve been demonized like that. That’s why transparency is so important.”

By making it easier for patients to see pricing information “we want to solve that problem,” Cuban said. “And you can trust it. Because that really is our biggest product. That’s what we truly sell at Cost Plus Drugs. And that’s trust.”

Ultimately, Cuban set out, “what business are we in? You make them, we sell them, patients take them. That should be the business, whether you’re brand or generic. And the fact that it’s not is insane, because these are people’s lives that are at stake. So if we can just be a pimple on the elephant, that’s a step in the right direction.”

### **Entire Sector Is Ripe For Disruption**

Asked what aspect of the business – including manufacturing, wholesaling and pharmacy benefit management – had been most challenging so far, Cuban was quick to answer: “Manufacturing.”

“There are a lot of shortages, [as] everybody knows. And so we’re doing fill-and-finish manufacturing for drugs on the shortage list, in Dallas. And it’s all automated with robotics and all that.” But “there’s always something. We had thought we’d already be up and running. But hopefully in the next couple of months, we’ll get there. But that’s been the biggest challenge.”

### ***PBMs’ ‘Perverse Incentives’ Still Limiting Generics Access, AAM Report Reiterates***

By [Chloe Kent](#)

30 Jan 2023

Generic medicines continue to be intentionally left off formulary tiers in favor of more expensive brand medications, according to a new report from the US Association for Accessible Medicines.

[Read the full article here](#)

And asked what aspect of the business was ripest for disruption – across stakeholders such as benefit management, wholesale pharmacy and manufacturing – Cuban insisted that “they all are. You know, they all fit together. Because, again, wherever there’s pricing distortion, for reasons that don’t benefit the patient – there is no pricing distortion that benefits the patient – then that’s an opportunity for us to disrupt. And again, trust and transparency cures all of that.”

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*“You guys make such a huge difference that you don’t get credit for. We’ll give you credit.”*

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Looking ahead, he said, the business was expanding as “the number of scripts and orders keeps on growing and coming in and accelerating. And so, you know, we’re just going to keep on seeing where it takes us.”

“I have this saying: when you run with the elephants there’s the quick and the dead. And so we have to be quick. And [currently] I don’t think we’re impacting anybody else’s business in a big way. But we’ll get there.”

Moreover, Cuban indicated, “we haven’t spent a nickel on advertising,” relying instead on positive word of mouth from patients who had enjoyed a positive experience with the company.

This was not only good news for Cost Plus Drugs, he said, but also supported the wider generics industry. “The transparency, the access to customer base. We take out all the distortions, you become the good guys. And you have happy customers, you have happy patients. And there isn’t the confusion. And when you take out the confusion, that makes your life a lot easier, it makes the life of a generic manufacturer far, far easier.”

Asked whether there was anything that had surprised him throughout his experiences with the venture, Cuban replied – prompting laughter – “the number of acronyms.”

“I mean, I’m in tech, right. And, you know, there’s an acronym for everything, but pharmacy just kicks its ass, it’s not even close. I mean, there’s no such thing as a price. There’s 15 derivatives and versions of a price. And I’m like, Are you kidding me? It’s impossible to know. There’s Google Translate, and then there’s pharmacy translate. I mean, it’s ridiculous, you know, and the fact that there’s so many and they keep on inventing them.”

“And so if I accomplish anything in life, if the number of acronyms is reduced by 90%, when it’s

all said and done, I've accomplished something.”

Finally, asked how AAM members and generic partners could support the Cost Plus Drugs model, Cuban was clear. “Sell to us. Educate us, tell us how we can help you, tell us how we can make you more effective, more profitable, we want you to make money.”

“We're not here saying, 'Okay, we don't want manufacturers to make money, you're charging too much for drugs.' No, your prices are fair – you know, the prices that we've been able to get 90% of the time and pass on, we're saving people, we're saving lives, we're making it so they don't have to choose between medication and food and rent. So just work with us, let's all communicate, we want to sell your products.”

And asked to identify barriers in the market that could be preventing these relationships from forming, Cuban acknowledged a degree of “trepidation, just because of trust, you know, because we're new, we're a young company.”

“And the other barrier is, companies are afraid of the PBMs. You know – what might happen. You're selling it for cost plus 15%. And these PBMs are selling it for \$150, and you're selling it for \$11.50, we're gonna make them look bad, and we're afraid of what they may do to us. We're afraid that they may, you know, not include us on their formulary, or jack up our pricing or play all the games that PBMs play, and that's the biggest challenge.”

Ultimately, he concluded, the huge 91% volume share of prescriptions covered by generics “means you impact every family in America at some level. That's why I'm in this business.”

“You guys make such a huge difference that you don't get credit for. We'll give you credit.”

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