

Mark Cuban

Marianne O'Hare: Welcome to Conversations on Health Care. This week, we welcome renowned entrepreneur and popular Shark Tank host, Mark Cuban, who is seeking to disrupt the prescription drug market, offering low cost medications direct to consumers online with his new venture Cost Plus Drugs.

Mark Cuban: The challenge for patients as it applies to health care, we're not as transparent as we need to be, and when you're not transparent, then people don't trust you.

Marianne O'Hare: We hear from FactCheck.org's Managing Editor Lori Robertson, and we end with a bright idea. Now, here are your hosts, Mark Masselli and Margaret Flinter.

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Mark Masselli: Our guest today is a well-known entrepreneur, responsible for multiple startups in digital media, software development on blockchain. The billionaire businessman is a popular co-host on the hit series Shark Tank, and is the principal owner of the Dallas Mavericks Basketball team.

Margaret Flinter: He has increasingly lent his support on Shark Tank to startups that seek to address inequities in American health care. And recently, he launched his own enterprise, the Mark Cuban Cost Plus Drug Company, a public benefit company, an online direct to consumer pharmacy that aims to take on the high cost of prescription drugs.

Mark Masselli: Well Mark Cuban, welcome to Conversations on Health Care.

Mark Cuban: Thanks for having me. I'm excited to be here.

Mark Masselli: Mark, prescription drugs now are a major factor in the almost \$4 trillion a year that gets spent in health care in this country. One out of five Americans can't afford at least one of their prescription medication. And you say there are far too many middlemen in the prescription drug pipeline, which significantly adds to the cost, and you're promising to radically be transparent about the cost. How does that differ from the status quo?

Mark Cuban: Significantly. I mean, there's very much a vertically integrated environment right now where insurance companies own PBMs and own retail pharmacies and are expanding into other areas of health care. And they keep on creating these fortresses where they control the left pocket and the right pocket, and by having so much control, they're able to create an environment where pricing is opaque, it's confusing. And because they're able to contract with insurers and major corporations, they're able to play these games where they say, "Okay, if you want access to all these lives, then you have to do business the way we want to do business." And that is unfortunate,

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and creates a lot of pricing distortion for patients.

Margaret Flinter: Well Mark, our organization delivers care to a large vulnerable population, and I think we do a pretty good job of helping patients access prescriptions at prices they can afford. But it does take an enormous effort. Medicare itself had been blocked from negotiating drug prices. But that's now changed under the President's Inflation Reduction Act. How do you think this new development is going to shift these issues that you've described in the marketplace?

Mark Cuban: I think it'll improve things obviously for the 10 drugs and then moving up to more drugs over a period of time. I think it's great for people on insulin who are on Medicare, doesn't do much of anything for everybody else. So where there are out of pocket limits, the \$2,000 will make a big difference as well. But, until you get to that \$2,000 limit, there is going to be challenges for Medicare patients. And on top of that, you add Medicare Advantage, which is completely distorted, completely confusing, rewarding not to the patients, but to the owner of the Medicare Advantage company. There's still a lot of messiness, and that's one of the things we're hoping to attack.

Mark Masselli: Mark, you've just inked your first health plan deal, Capital Blue Cross in Pennsylvania. This space is highly competitive, so how will it work for the consumers?

Mark Cuban: Well, the way it starts is they'll refer their patients to us, and then using a form they'll reimburse them. We're updating our software so that shortly it'll all be automated. So you'll just buy through Cost Plus Drugs, and everything from there in terms of applying to your deductibles, all those things will be handled on an automated basis. And we're also partnering with Prime Therapeutics, which allows us to talk to a lot of other Blues, and we're hoping that leads to many other insurers to work with us. And obviously, we're also talking to many, many, many independents, because you know, other than the big three, it's very difficult to control their own pricing. And they're paying premiums, and they're kind of caught in the vortex of dealing with the PBMs. And so we're trying to yank them out of there, and the response has been great.

Margaret Flinter: Well, Mark, it certainly seems that this approach could save billions of dollars for consumers, but still only targets about 20% of the medication market, the generics. And non-generic drugs make up about 80% of total drug costs in America today, and these costs can be just astronomical. What do you think the chances are that your model could eventually expand in ways to the non-generic market?

Mark Cuban: A 100%. One of the challenges that manufacturers of branded drugs face is that they've been villainized. Using insulin as an example, everybody thinks that they're responsible for the increasing cost to

patients for insulin, when we know, people in the industry know, that's just not the case, that the price that manufacturers sell insulin for has actually declined. And so part of why they're excited to work with Cost Plus Drugs, is the transparency. Now, patients and others in the industry will be able to see exactly what we pay, and what we charge.

Mark Masselli: We often hear that drug research and development is also baked into the cost to the consumer, and some say these low cost approaches will dampen the pace of new drug development. What do you say?

Mark Cuban: Well, you have to ask who's saying that. It's the lobbyists that are saying that. Manufacturers know that they're not going to bat 100% on their drugs. And so there's a price associated with R&D, licensing or purchasing, and then getting all the approvals and all the marketing, there's a price associated with that, and so you've got to build all that into how they price. Because the manufacturers, for the most part, don't actually have control of their own retail or net price that's where a lot of distortions come in.

Part two, particularly as it applies to specialty drugs, which are the ones that are very expensive, you know, there's a different equation for determining whether or not a price is fair. If there is a medication that adds 10 years to your life and eliminates having to go to the hospital, is \$5 million too much? You know, the cost of going through care and being in the hospital to take care of that disease before the medication was in place was greater than \$5 million, well, somebody saved money. The problem in all of this is that it's not the insurance companies that are typically saving the money, and that creates the push-pull that is creating problems as we talk about, especially medications, and that creates a lot of what challenges for people going to the specialty drug programs because the insurance companies don't want to pay for them. They're trying to get the manufacturers to provide these high-end expensive medications for nothing so that the insurers don't have to pay what they're obligated to pay.

But you've got this challenge that what the insurers want, and what the patient wants, and what the manufacturer wants, are not aligned at all. And so over the next five years, it's going to be very politically expedient for some politicians to say, you know what, we need a public-private partnership that excludes insurance companies so that these high-end specialty drugs are evaluated to make sure that pricing is fair. One of the challenges for those specialty drug manufacturers is percentage of valid patients receiving the medication, and then getting paid for a medication, let's just say for easy math, that has a million dollar price tag, and has a potential annual patient base of 1,000 people. Right now, they're not going to be able to get approvals

for all 1,000 of those potential patients. It's more high-end, people like me who are able to afford those things.

And so through a public-private partnership, you'll be able to say to them, "Look, you can't charge a million dollars for these 1,000 patients. But we'll guarantee you that all 1,000 patients will be able to pay for it, and you're only going to charge 500,000 so that you net out at 500 million in revenue as opposed to your hope for \$1 billion in revenue. So that it's fair to you as a business. It's fair to the patients. All of them, who have valid prescriptions from the provider, are able to get it, which is the most important part, and we take the organizations that are the inhibitors, the private insurers who don't see the financial benefit from it." Their math probably says in their models that they're not going to get a billion dollars in savings, so they do all they can to prevent paying for it. And so we need to be honest and straightforward and have some transparency. And if the manufacturers of the specialty drugs are willing to do that, and we're able to everybody get on the same page, then I think we save a lot of lives and improve the health care system. If they don't, and we have this continued push-pull where the insurers do their best to deny claims or pre-authorizations, then we have problems.

Margaret Flinter: But let me pivot just a bit Mark, you know, the COVID pandemic amplified so many shortcomings, inadequacies in our health care system, and supply chain was right at the top. But you're going to actually be scaling up your own drug manufacturing factories for Cost Plus Drugs. So tell us about that. And what other supply chain issues do you see as ripe for disruption?

Mark Cuban: There are a lot of drugs that go into shortages where there's just not enough of a market for a manufacturer to continuously produce them, and so they just jack up the price. We've seen that happen multiple times. You know, you have sterile water like now which is hard to come by, and even though it's not hard to make, there's just no manufacturers to do it. So, with Cost Plus Drugs, we're building, we're finishing out actually a manufacturing plant in Dallas, Texas that is robotically driven so that it only takes us four hours to turn our manufacturing from one injectable to the next.

Starting with things like sterile water, we'll talk to all the hospitals and all the providers that need it. We'll come up with a fair price that covers our costs, because as a manufacturer, we can't just do it a straight cost plus 15%, our costs are much higher, and we'll make it available for whatever injectables are in short supply. And then it takes four hours for us to cycle to the next drug, we'll do the next one. Then four hours, we'll do the next one, and so on and so forth. If it works out well, we have plenty of room to expand for oral medications. You name it, we'll be able to expand to it, presuming

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that everything goes the way we expect it to.

Mark Masselli: Mark, I want to focus on one of the health companies you developed Unite Genomics, which you say is focused in on advancing medicine through large scale analysis of genomic and health data. And I'm wondering how will genomics and personalized medicine shift the future of drug development landscape.

Mark Cuban: Well, the honest answer to it, Mark, is I don't know. The guys at genomics know their stuff and they run their show really, really well, but just generically, our bodies are one big math equation. We don't know how many variables are in that equation. But every single day with advancements and chips and GPUs and just about every other core component of Artificial Intelligence, we're learning more and more and more about our bodies. And when you start mixing those together over time, you truly do get to the point where you have more and more personalized medicine.

Margaret Flinter: But in health care, of course, there's so much at stake, with failure in any element of health care. What have your startup experiences in other areas taught you about how you're going to go about this process with your new company, doing it without harm?

Mark Cuban: Look, there's no mistake-free anything anywhere, whether it's healthcare, or selling nachos at a Mass game. The challenge for patients, as it applies to health care, is we're not as transparent as we need to be, and when you're not transparent, then people don't trust it. You know, if you think about the process of getting a prescription, you go to the doctor, and the doctor says, "Sorry, you need to get this. What's your pharmacy?" And then you just get the prescription sent to your pharmacy. The pharmacy doesn't know what they're going to charge you until they ring it up. You're hoping all your insurance covers it. I think the true missing piece, Margaret, is transparency.

But I mean, look, look at just hospitals. They can't even get them to do what's legally required of them with transparent pricing on their websites. You know, I had a CT colonoscopy and I had a CT, just because I do them every couple of years and I just pay cash price. I don't even go through my insurance, simply because I kind of like going through all the hospital spreadsheets to see what the pricing is. Without transparency, there's not trust. And when you have organizations creating reasons for them not to be trusted, then that's where things go south and they become politicized. I mean, look, in health care, what is it, 21% of the total cost of health care in this country is administrative, and there are so many easy things that you can do. You can standardize contracts. Right? Network contract for every hospital uses standardized contract that is reviewed and cut the cost and all the research that has to be done, it has to go up the

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flagpole six feet deep. And then the provider does everything possible to complicate it. My mom died of cancer this past February.

Mark Masselli: Sorry to hear that.

Mark Cuban: And we went --thank you. She went in to talk to the doctors, and the doctor says she needed a PET scan. Okay, let's get her a PET scan while she's here. No, you can't get a PET scan while you're in the hospital. You have to come back more than three days later, so they get paid the most. My mom was like, "No. Do you know what it costs? It cost me and it cost my family." Because this is the ridiculousness that patients have to face. And it's not like the hospitals don't know what they're doing. When they up-code, when they recode, you know, we saw all, the article in The New York Times for Medicare Advantage. Right? That's insane. Put me in charge. I'll make you criminal if you do that, because once you create distrust in the health care system, you get what we had with COVID where people don't trust.

You know, a friend of mine runs a hospital. Guys I grew up with run, there's several hospitals, and so I keep in touch with them. And they had built this building and they were asking me what I thought was the best approach, and I was like, "There's only one answer. Sell that building, take that and reduce the rates, you know, and make it more accessible. You don't need a fancy building. That's what you see on every hospital campus." And you know what, I worked with a group Toronto, Canada. Their real estate is more expensive than Manhattan. Their doctors get paid the same. Their nurses get paid the same as hospitals in Manhattan. Why are all their procedures less than Medicare? And it's really simple when you start looking at it. They're mostly nonprivate rooms. I actually had kidney stones in Toronto one time. They put me, just a little curtain around me. But it was not a private room, and I was great. In our hospitals, it's all private rooms.

In Canada, they pay for all the doctors' liability insurance. The hospitals are sure they'll get paid for all the patients that come through the door. These are little things that we complicate here in the United States through no liability compensation. When you do that, and there's not a lot of transparency, people aren't going to trust, and it's going to be more expensive, and people are going to go without health care. And that's just insane.

Mark Masselli: Mark, on one side, you are battling on the trust and transparency side, and you're coming up against on the other side some legacy players in the big pharma world with a lot of skin in the game. CVS Caremark made about \$150 billion in prescription drug space in 2021 alone. And Walmart and Costco have well established supply chains and market share. You've got Amazon turning to direct consumer drug purchasing as well. Use a basketball analogy, how do you

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outshoot the legacy teams? What's your edge in this really crowded field, when so much profit is hanging in the balance?

Mark Cuban:

Well, there's this old saying I use all the time when you run with the elephants there are the quick and the dead. We're really, really quick. We're agile. We're evolving all the time. We started off just mail order. Hopefully within the next 60 to 90 days, we'll have a discount card, so you'll be able to pick up at a local pharmacy at our pricing because they'll buy from us and agree to our pricing. And on top of that, rather than some of the other discount cards do, which is charge the pharmacies for the traffic, we'll actually pay the pharmacies for fulfillment, which I think the pharmacies are going to love. So, that's one way to do it.

You know, Jeff Bezos' family said, "Your margin is my opportunity." And that's exactly what's going on here. You know, Cost Plus Drugs already has more than a million accounts. Nine months in, more than a million accounts, and we're growing rapidly. By the time we finish this, we might be at 1.1 million. And so if we get enough of a base, people are going to want to keep on working with us no matter what the other ones do. You know, maybe they come along and match our pricing. Maybe they come along and do the same thing and just copy us. If the net result is okay Cost Plus isn't as big as it might have otherwise been, but everybody's playing cost plus 15%, hello, you know, problem solved.

But, at the same time, when you're as big and public, to me, that's the big three. And there's so much right pocket, left pocket, where they create or buy this company where they send some margin there, and then that company buys from another one of their subsidiaries and they send some margin there. It's awful, awful hard for them to be cost competitive. There's just too many layers and too much hierarchy for that to work. I think we'll be okay. And I think our number one product is not a medication, our number one product is trust. And if those other outlets were truly trusted, we wouldn't have any customers.

Mark Masselli:

Mark, I heard you say in the last answer to Margaret's question that if someone puts you in charge, is this an announcement of any candidacy that we can report on?

Mark Cuban:

Oh, no, no, absolutely not. No, my family would disown me. Absolutely not. But you know, some of these providers need skin in the game in terms of their obligations to living up to the law. A \$100 fine per day isn't going to make anybody change their actions. There's just so many, you know, there's just so much money involved, and that money keeps on getting bigger, and the fines become a smaller, smaller percentage. You know, the minute somebody that works anywhere in that food chain in a major corporation, has that fear of

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going to jail, it all changes.

Margaret Flinter: Well Mark, I've read you're also pretty interested in the potential for new technologies like wearables and AI to improve health. In that little bit of time you might have to think about those things right now, what's exciting you in AI and health sensors, digital health? What else out there captures your imagination and your investor's eye?

Mark Cuban: All the above. I mean I'm a big believer that there's two types of companies in this country, those who are great at AI, and everybody else. If you look at the top 10 market share companies, they're great at AI, you know, the Apples, the Googles, etc. And they're also great at acquiring data. Now, we can argue about the privacy issues, but the ability to use AI for personal health care is only going to improve.

You know, I got criticized for this like six-seven years ago when I talked about it online, but I get my blood tested every four to six months because I want my baseline to be my baseline, not Mark and I be baselined against the exact same numbers for what a male, white male in our age group is supposed to be benchmarked at. And so I started getting my own blood work. I go to capitalize that, connect it with my eyeWatch and capture that data. And the point being that the more data we have available to us, I think the smarter decisions we can make as patients. You know, sometimes too much data is a bad thing, because a lot of patients don't know what to do with it, and they get caught up in a vortex or a rabbit hole trying to figure out their own health care. But then again, that goes back to trust. If we're able to trust our providers, if we're able to trust our doctors, and we don't rush our doctors, and we give them a chance to explain what's going on to the patients, and how this data actually impacts their lives, then we start getting better outcomes.

And I think AI has a real role to play. And those are the things I look at. I invested in a company Genetesis [inaudible 20:48] seven years ago I think. What I didn't know when I invested in there out in Cincinnati, is every one of the organs in our body emit an electrical signal, I had no idea. And there are scanners that capture that electrical signal, and the first one they work with is the heart. So they capture the electrical signal that comes out of the heart. They save it as an audio file, believe it or not, and then they run it through machine learning AI. And based off of tens of thousands of examples, they're able to correlate what issues the patient might be having with their heart. Because anybody our age knows that you feel something in your chest, you immediately get nervous. And so many people go to the hospital, and there is no quick way to resolve what that is. So you might get checked in, you might get sent home. It's really, really difficult. But using AI and Genetesis, they're going through their trials. Now, the hope is you get scanned, you run it through the AI, and it

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tells you with some level of accuracy the most likely thing that's going on with your heart. And so things like that to me have huge upside. Things that make us smarter, make us more efficient, allow us to do it for less, those are all things that I think AI will drive, and that I get excited about.

Mark Masselli: We've been speaking with entrepreneur and Shark Tank host, Mark Cuban, who has launched an online entity Cost Plus Drugs, seeking to shake up the prescription drug market. You can follow our show and learn more about all of our guests at www.chcradio.com. Mark, thank you so much for joining us. And we'll continue to follow your innovations.

Mark Cuban: Thank you. Thanks for having me on. And I encourage everybody, go to www.costplusdrugs.com, put in the name of your medication and compare it to what you're paying. If you're paying anything out-of-pocket, we're probably lower than your copay. And if you're an organization, a company, whatever it may be, a clinic, do the same thing, because we're probably cheaper than what your insurance company is charging you, and you can end up paying a lot less in premium. So, check us out. Thanks guys for having me on. It was a great conversation. I really enjoyed it.

Mark Masselli: Take care.

Margaret Flinter: Thank you so much.

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Mark Masselli: At Conversations on Health Care we want our audience to be truly in the know when it comes to the facts about health care reform and policy. Lori Robertson is an award-winning journalist, and Managing Editor of FactCheck.org, a nonpartisan, nonprofit consumer advocate for voters that aim to reduce the level of deception in U.S. Politics. Lori, what have you got for us this week?

Lori Robertson: President Joe Biden signed into law the Inflation Reduction Act on August 16. Part of the law deals with Medicare and prescription drugs. The law will lower at least some Medicare beneficiary's prescription costs on Part D, that's Medicare's prescription drug program, and on Part B. The law requires the Federal government to negotiate prices for some Medicare medications. It caps seniors' out-of-pocket drug cost at \$2,000 a year, it caps monthly insulin copays at \$35, and it limits Part D premium increases. Again, that's all for Medicare, not private health plans.

Republicans have focused on the price negotiation aspect, and the pharmaceutical industry has long fought against attempts to enact such a policy. Their argument is that the policy would reduce the number of new drugs pharmaceutical companies bring to market. The

nonpartisan Congressional Budget Office estimated there would be just two fewer drugs launched over the next decade under the legislation. Seniors who spend more than \$2,000 a year on prescriptions, would clearly benefit. That cap on yearly spending would launch in 2025, and it could affect more than 1.4 million beneficiaries based on 2020 enrollee data. Right now, out-of-pocket costs of more than \$7,050 for Part D drugs pushes seniors into what's called the catastrophic phase. They pay 5% of their drug costs after that threshold. The Inflation Reduction Act eliminates the 5% copay in 2024, benefiting more than 1.3 million seniors. The cap on insulin copays also could affect millions. Seniors who now can't afford to buy needed medicines also would benefit from the bill.

And that's my fact check for this week. I'm Lori Robertson, Managing Editor of FactCheck.org.

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Margaret Flinter: FactCheck.org is committed to factual accuracy from the country's major political players, and is a project of the Annenberg Public Policy Center at the University of Pennsylvania. If you have a fact that you'd like checked, e-mail us at www.chcradio.com. We'll have FactCheck.org's Lori Robertson check it out for you here on Conversations on Health Care.

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Margaret Flinter: Each week, Conversations highlights a bright idea about how to make wellness a part of our communities and everyday lives. An estimated 800 million people in the world lack access to electricity, and some 2 million people to clean water. And those living in Sub-Saharan Africa, are most lacking in these essential resources. So called Ecopreneurs, Emiliano Cecchini and Davide Bonsignore, sought to create a sustainable solution for these communities that lacked not just these vital resources, but the infrastructure needed to deliver them as well. They engineered a portable solution, the OffGridBox, a six foot by six foot container that when assembled on site with a solar panel roof, generates enough power to support a village's basic energy needs. And the box also contains a pump and water purification system that can provide more than 5000 gallons of clean filtered water per day. A huge benefit for these communities who must carry containers of often contaminated water over long distances from water sources that are increasingly diminished by climate change.

Emiliano Cecchini: So, these are subsistence economies, where people off the grid in scarcity of water are trying to produce and grow food. So, we go there, and we provide safe drinking water, clean power for basic electricity needs, power to pump water, and for agriculture.

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Margaret Flinter: The OffGridBox is managed by local operators who are trained on the system's dedicated app, allowing villagers to update their energy use and water production data every day. And locals are also trained as technicians to troubleshoot problems that may arise. The goal is to create a sustainable solution for communities most impacted by climate change without adding to the global climate crisis.

Davide Bonsignore: Climate change, it's accelerating. The increase of price of fossil fuel is accelerating. The problem is how we can develop technologies that are usable and easily maintainable.

Margaret Flinter: More than 70 OffGridBox systems have been installed across Sub-Saharan Africa thus far, and community health has improved from gaining consistent access to clean water. Farmers are able to expand their crop yields, and economic opportunities evolve around the sustainable source of clean water and renewable energy. The OffGridBox, a sustainable renewable power source, providing energy for local schools, homes, clinics and entrepreneurs, as well as clean potable water for drinking and farming, yielding increased health and economic prosperity for communities that are struggling to survive in some of the most climate challenged parts of the world, now that's a bright idea.

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Mark Masselli: I'm Mark Masselli.

Margaret Flinter: And I'm Margaret Flinter.

Mark Masselli: Peace and Health.

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Marianne O'Hare: Conversations on Health Care is recorded in the Knowledge and Technology Center Studios in Middletown, Connecticut, and is brought to you by the Community Health Center, now celebrating 50 years of providing quality care to the underserved, where health care is a right not a privilege. www.chc1.com and www.chcradio.com.

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