BBH REVIEW

Mark Cuban Shakes Up Big Pharma with Cost Plus Drugs

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Mark Cuban - investor, billionaire, Shark Tank icon, and owner of the NBA Mavericks, among other things - is now on a mission to disrupt the pharmacy industry. That goal is the driving force of his new pharmaceutical company, Cost Plus Drugs. Launched in January 2022, Cuban's online pharmacy provides generic drugs at an affordable price as a registered wholesaler. By omitting the middleman present in big pharma and selling over 100 drugs at a 15% margin, Cost Plus Drugs aims to disrupt the customary trend of inaccessible medication.

How it works

The Cost Plus Drugs Company is the brainchild of cofounder Alexander Oshmyansky, who cold-emailed Cuban to secure an investment toward his dream of affordable drug manufacturing. Oshmyansky sought to challenge companies that purchase contracts to construct generic versions of brand-name drugs. Drug manufacturers use "pharmacy benefit managers" (PBMs) to purchase said contracts, and this is where the problems surface. PBMs are responsible for negotiating the prices of these generic drugs to health insurers, employers, and others who contract them. Yet PBMs often increase the prices of otherwise affordable drugs to expand profit yields, and prices of essential generic drugs have skyrocketed as a result.

Cuban and Oshmyansky's business model centers on cutting out these PBMs entirely. Cost Plus Drugs (CPD) works directly with generic drug manufacturers to secure contracts at wholesale prices, then charges a mere 15% markup and an $8 shipping and handling fee. CPD seeks to expand further into brand-name drugs, a more difficult route because brand-name manufacturers can charge freely and their costs are subsidized to the same PBMs CPD side-steps. Since CPD avoids these managers, manufacturers have little reason to offer rebates, so Cuban and Oshmyansky must build enough capital to rival insurance companies - taking steps such as signing multiple brand-name manufacturers and building a 22,000-square-foot factory in Dallas.

Who will this help?

The pharmaceutical industry in America is notorious for excessive prices on widely used medication, despite many companies receiving government aid through funded research and tax breaks. Patents are used to monopolize drugs, allowing companies to keep prices high without competition. Over 1,800 drugs increased in price in 2021 and again in 2022. Even for insured people, co-pays, deductibles, and cost-sharing make effective treatment unfeasible, and for those paying out-of-pocket, prescribed medication can cost thousands. Lower-income, often racially marginalized communities are disproportionately affected; a lack of education, language barriers, and socio-economic factors contribute to unequal access. It is these communities especially that can benefit from companies like Cost Plus Drugs.

Will this be effective?

Mark Cuban's business acumen and celebrity status have caused CPD to make profound waves in the pharmaceutical industry. Although CPD still faces issues surrounding PBMs, it has called attention to their unfair practices and lax regulations, and helped thousands become aware of heightened medication costs and make more informed decisions. By coming at the pharmaceutical industry full-force, Cuban ensures that everyone from executives to the average consumer hears his message loud and clear.