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24 Feb 2022 | **Analysis**

Mark Cuban's US Pharma Ventures: Ally Or Gadfly In The Mix For Indian Firms?

by Anju Ghangurde

Mark Cuban's newly launched online pharmacy and pharmacy benefit manager operation in the US spark interest in India. Can the billionaire entrepreneur's venture punch above its weight and should Indian firms be watchful?

There's a buzz around billionaire Mark Cuban's venture, Mark Cuban Cost Plus Drug Company (MCCPDC) and its newly launched online pharmacy, in the US that's extending all the way to India.

That's perhaps not surprising since the activities align with what Indian drug makers have long championed – providing quality medicines at affordable prices. Cuban's fledgling operations in the US intend to help "shield consumers" from inflated drug prices by "disintermediating" the market.

But it's still early days and experts in India appear divided and uncertain on what this could potentially mean for domestic pharma firms - should front-line Indian companies potentially ally with Cuban's venture? Or can MCCPDC's online pharmacy [www.costplusdrugs.com], launched last month in the US, just weeks after its pharmacy benefit manager (PBM) operation [www.costpluspbm.com] was established, really shake things up materially in the US as they build out their activities? (Also see "*Mark Cuban's Generics Company Launches Online Pharmacy*" - Generics Bulletin, 24 Jan, 2022.)

Alex Oshmyansky, CEO of MCCPDC, minced no words when he maintained at the Association of Accessible Medicines' (AAM) annual meeting in Orlando earlier this month that they may be starting small, but if the group can keep up the exponential growth it has seen, "we will be able to punch above our weight sooner rather than later."

Since the pharmacy's debut, approximately 160,000 accounts were opened in the first three

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weeks and “we're growing about 10% week-on-week at this point,” he said.

Too Small For Big Impact?

That’s a “brisk start” in Oshmyansky’s own assessment but the executive acknowledged they are still a very small organization.

Salil Kallianpur, a former executive vice-president at *GlaxoSmithKline plc* in India, said that the MCCPDC model does appear potentially disruptive, especially since it promises a big downward impact on prices in the world’s most expensive drug market. But he maintained that one company in a $3.7tn healthcare sector seems like “too little” to make an impact.

“I recognize it is a start and a very good one at that but I believe there is a long way to go and many things to clarify. For example, we aren’t sure if the company will distribute branded medicines at a discount, or only generic medicines. How much bargaining power will they have compared to the much larger PBMs such as CVS and Express Scripts?” Kallianpur, who now runs a digital health consultancy, questioned in comments to *Scrip*.

The executive also referred to US President Biden administration’s intention to investigate PBMs after it was found that three process the bulk of all prescriptions in the $400bn US pharma market, though the US Federal Trade Commission recently rejected a study into the practices of pharmacy benefit managers. The American Pharmacy Cooperative, Inc. and other pharmacy and patient advocates had earlier urged the FTC to take action on "anti-competitive" PBM practices they claimed harm patients, providers, taxpayers and competition itself.

Nevertheless, Kallianpur noted how there are already some forces joining hands with Cuban. The Purchaser Business Group on Health, a coalition of 40 large private and public employers, are also creating PBMs, as did Amazon Care – which isn’t a PBM but a healthcare program with similar objectives to reduce overall healthcare costs to people.

Connecting Patients To Generic Firms

MCCPDC’s Oshmyansky indicated at the AAM meeting that by probably the third or fourth quarter this year, the group expects to bring aboard B2B (business-to-

For Generics, A Victory Lap – And A Warning – On Drug Shortages

By M. Nielsen Hobbs

15 Feb 2022

Avoiding disaster at the beginning of the pandemic and offering a pro-active supply chain blueprint should position the generics industry well for an onshoring debate in Congress, but a look back at March 2020 is a reminder that even small policy shifts can have a big impact.

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business) or enterprise clients, basically using "our pharmacy as a pharmacy benefit or employee benefit for plan sponsors or large employers, where you can go to our online pharmacy, and because of the savings from disintermediating the market, generally, we found that employers will save about 60-70% of their overall generic drug spend, even with us entering into longer term, higher cost contracts with generic manufacturers."

Some of the key drugs that exemplify the MCCPDC pharmacy's striking savings include the leukemia therapy imatinib, for which a 19 January press release from MCCPDC states the US retail price is $9,657 for a month's supply. The actual adjudicated price from employers and patients who are going with a high deductible plan to the pharmacy is estimated at $3,200 for that supply. In contrast, the MCCPDC price for generic imatinib is a fraction of that at $47 per month.

"We sell it with a transparent 15% margin at $47 for that same month's supply. So, employers, payers, even individual patients are paying $3,200 for that month supply and that money is not going to the manufacturers, not going to the generic companies. Our kind of mission is to get patients connected to the generic companies as directly as possible," Oshmyansky declared.

The executive believes that the transfer of resources from "people basically managing the supply chain" to the people actually manufacturing drugs can lead to substantial gains and sustainability for the industry.

"We plan to enter long-term supply agreements lasting a year to potentially 18 months, locking in prices for a long term," he explained at the AAM session, which was moderated by Charles-André Brouwers, senior partner and managing director at Boston Consulting Group.

While imatinib may be an "extreme case", Oshmyansky underscored that this "sort of pattern" has been happening over and over again.

The Shape Of Things To Come?

So does this all mean that Indian generic companies may be better off allying with and using the MCCPDC channel as well, or does it add to existing pressures and make the US market less lucrative?

Dr Ajit Dangi, president and CEO of Danssen Consulting, sees the goings on as a major challenge to Indian generic drug

Plant To Target Shortage Products

The Mark Cuban Cost Plus Drug Company (MCCPDC) is also constructing a state-of-the-art pharmaceutical factory in Dallas, expected to be completed by the end of 2022.

MCCPDC CEO, Alex Oshmyansky, explained

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manufacturers and exporters, whose competitive strategy has always been reverse engineering of off-patent molecules to reduce costs and the ability to file ANDAs and drug master files quickly. (Also see "*Strides CEO: US COMPETES Act Creates Quality Differentiator*" - Scrip, 16 Feb, 2022.)

"MCCPDC is the shape of things to come and Indian companies need to move up the value chain and develop biosimilars, complex generics, vaccines and also active pharmaceutical ingredients and simultaneously begin to diversify into other geographies such as Latin America, MEWA [Middle East and West Asia] and Japan," Dangi, a former president and executive director of *Johnson & Johnson* in India, told *Scrip*.

Ex-GSK executive Kallianpur said that allying could be one option, though that would happen if MCCPDC and the Purchaser Group gain significant size. MCCPDC could also source a lot of its medicines from their own manufacturing site, he noted. *(See side box on plant plans).*

"Even when the network gains size, it might not become a new course of distribution for Indian generics because companies look to improve margins in the US and that seems at loggerheads with Cuban's company. But, if prices at which manufacturers supply to Cuban as well as other PBMs are similar, Indian companies will stand to benefit," Kallianpur said.

MCCPDC 'Not Too Attractive'?

that while the site is designed from the ground up to make small batches of a range of therapies, it is primarily targeting shortage products.

"Although it's a full cGMP-compliant facility and can do ANDA products and we're even in process with a BLA at the FDA to be manufactured at that site, it will primarily work as a 503B compounding facility," the executive said at the AAM annual meeting.

This , he explained, will allow the company to very rapidly convert its lines and go to different product type and make it as quickly as possible to alleviate shortages before they happen or when such shortages occur.

"So it's a very targeted facility specifically for the issue of drug shortages," Oshmyansky specified.

Some Indian industry executives, however, believe that the MCCPDC manufacturing effort will likely be a "drop in the ocean" in terms of capacity etc. to make a dent, at least for now.

"They would be better off making injectables and syringes which are forever in short supply and very profitable; for example in case of cancer care they are such a small part of the overall cost that if the manufacturer even doubles the price, the patient truly does not notice given his large expenditure on other elements of treatment," said Ranjit Shahani, former vice-chairman of Novartis India Ltd.

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Others experts were less convinced about the potential of the MCCPDC approach to shake things up, even though overall on the face of it the model looks "sexy and disruptive".

"It is unlikely to have any turbulent impact on generics pricing or profitability in the larger context of things. MCCPDC is trying to be in the DTC [direct-to-consumer] business as a pharmacy. They have taken an 'activist' approach," Ranjit Shahani, former vice-chairman of Novartis India Ltd., told *Scrip*.

Shahani doesn't expect MCCPDC's plant to disrupt things meaningfully; Indian pharma companies, he notes, are making products very competitively in India for export so any additive disruption by MCCPDC will be minimal.

"MPCCPDC will be more of a 'gadfly' in this mix," he declared.

Shahani believes that the traditional PBMs in the US will not give way and MCCPDC hardly has "any head room" to play. "Indian companies will also not find it too attractive to swing towards MCCPDC," he asserted.

MCCPDC's Oshmyansky admitted at the AAM meeting that it would be a "lot of hubris" to say that the new venture was going to fundamentally change retail pharmacy in the US, but believed there still exists a very strong niche there for online distribution. This is particularly for products for which, when the average consumer goes to a pharmacy, even with the availability of discount cards and price comparison sites, doesn't know what they are going to be paying for the medications.

"It's kind of a guess. They go to the counter and someone just tells them 'your statin is $200 for a month's supply' and a substantial section of consumers will sort of shrug and say, 'well, drugs in America are expensive...so I guess $200 is what it costs.'"

For that portion of the consumer marketplace, Oshmyansky believes MCCPDC's ability to let people know there is an alternative, and that there are transparent pricing solutions where you will know what you're paying ahead of time, could be "very attractive."

Pushback from PBMs, Pharma

Whether or not MCCPDC makes a real impact, perhaps only time will tell. But Indian industry experts certainly expect pushback from various quarters. Danssen's Dangi believes that big pharma, with its deep pockets and strong political influence, is likely to resist the development.

"However, history shows that if there is strong public support, such disruptions force the companies with traditional business models to adapt and face the reality, as Elon Musk has done

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with his electric cars to traditional gas guzzling auto models and [Amazon founder] Jeff Bezos has done to retailing," he said.

Kallianpur expects greater pushback from existing PBMs, since if Cuban's operation begins to pass onto patients the rebates that are routinely offered by pharma companies, that will "definitely show them in bad light."

"However, the regular PBMs control a lot more than merely drugs and their prices. Patients who buy into a PBM plan get everything from insurance to hospital/healthcare to drugs – all of which the same PBM controls. Therefore, it will not be easy for MCCPDC to lure away those patients who depend on insurance for the more expensive branded medicines," he predicted.

MCCPDC does not accept health insurance and is meant to be a cash business, at least for now. "So between not dispensing branded medicines to accepting only cash sales and not health insurance, this will probably impact and benefit a much smaller community than we imagine," Kallianpur added.

MCCPDC earlier said that because the company refuses to pay spread prices to third-party PBMs in order to be allowed to process insurance claims, the online pharmacy will be a cash pay venture.

However, its model means patients can immediately purchase a broad array of medications at prices often less than what most insurance plans' deductible and co-pay requirements would total, it explained at the time of the launch of the online pharmacy.

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