



AAM Annual Meeting 2023

**Mark Cuban, Founder Mark Cuban Cost Plus Drugs and
Christine Baeder, SVP & Chief Operating Officer, U.S. Generics and Biosimilars,
Teva Pharmaceuticals**

**February 14, 2023
Orlando, FL**

Christine Baeder:

So let's just pivot a little bit right to what David just said. You put your name on this business.

Mark Cuban:

Right.

Christine Baeder:

Why?

Mark Cuban:

I've never put my name on any other company, and I thought it was important because we were the upstarts. We were coming out of nowhere, and I wanted people to know I was committed to it financially, emotionally, and intellectually, and also wanted patients to know they could trust it, that I wouldn't put my name on it unless I was fully behind it. And so that's why. And we're a public benefit corporation. I also wanted people to know that I was going to be there for them. That if you have a question, my email is public. People email me all the time about Cost Plus, and I would be there to answer those questions.

Christine Baeder:

Okay. And what got you interested in this space?

Mark Cuban:

I mean, we all have had experiences where somebody we know wasn't able to afford their medication. And I'd been delving into healthcare starting probably five, six years ago. And the more I learned about what was going on 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.

Christine Baeder:

Okay. I mean, it's a fair answer. And obviously, the amount of disruption going on in this space, there's clearly some need somewhere that's not met.

Mark Cuban:

Well, yeah. I mean, if there were no patients/customers, I would've been wrong, but that's just not been the case. But first let me add, thank you to each and every one of you that have supported Cost Plus drugs. We needed your help as generics manufacturers just to get started. If you guys hadn't come up

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and sold to us and got the ball going, then we never would've been able to gain any momentum whatsoever. And so you guys took a chance on us, so I owe each and every one of you that have supported us, we owe you a big thank you and so do patients because the response has been 10 times more than we ever expected.

Christine Baeder:

All right. So getting a little more specific now.

Mark Cuban:

Sure.

Christine Baeder:

You launched the company to offer the low cost drugs to patients and disrupt big pharma, wholesaler, manufacturer. Where was your point of inflection? What was your goal?

Mark Cuban:

Just to simplify it and add transparency. When you think about the process of getting a prescription, there's not a lot of trust in the whole supply chain. I need Synthroid, and I take generic Synthroid now. And your doctor tells you, "Okay, you need this medication for your thyroid. What pharmacy do you use?" And you tell them what pharmacy and then you go there. And if you happen to have good insurance, there's no fear. If you're not sure about your insurance, you don't know what your copay is going to be, you don't know what the price is going to be, there's some fear. If you don't have insurance, you're terrified. And so looking at that process, there was a lot of room for transparency.

And now, someone can go to costplusdrugs.com, put in the name of the medication, and you see our costs. You see the price. And all of you who have sold to us know 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 a legitimate price and they know going in whether it's a price they can afford or not.

Christine Baeder:

So with that said, are you targeting the cash payment payer primarily or where's your goal there?

Mark Cuban:

Everybody. Everybody. Our business is very simple. We buy drugs, we sell drugs. Our mission is very simple. 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, and we're adding brands and we'll keep on adding. Hopefully, I'll have more conversations today, and David Chen from our company is talking to all of you. We want to sell everything that you have to offer.

Christine Baeder:

Which leads me to my natural next question. You've obviously started with generics. There's been some public statements about insulin and biosimilars maybe on your agenda. Do you have anything you'd like to say about that?

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Mark Cuban:

Yes, you're right, but no, nothing specific to announce.

Christine Baeder:

All right.

Mark Cuban:

But you'll start seeing... The other thing that we're doing, we're partnering with a lot of independent pharmacies so that we won't just be mail order, and we will start a test on that March 1st. And the goal is, again, to allow patients to get their medications how, where, when they want them at a price they can afford.

Christine Baeder:

So do you think that basic model of a transparent set markup works for branded drugs?

Mark Cuban:

Yes, absolutely. You guys know, manufacturing and selling generics, the distortions you face with PBMs and insurance companies. The fact that an insurance company wants you to price your generic at even sometimes above a brand price is insane. It is just absolutely freaking insane. And we're just going to say, "Fuck that shit. Sorry. That's just not going to happen." And it's not about the patients anymore. And so you've got these big companies that are vertically integrated, that have hundreds of subsidiaries that play left pocket, right pocket. We're going to be an accumulator, we're going to be the switch, we're going to be this, and they take a little piece here and there, and then they do everything they can to distort the information chain. We're not giving you your own data about the drug you manufacturer.

So for brands, there are so many games that have to be played unless you have a unique drug like Keytruda, like we were talking. Otherwise, you're at the mercy. And what's happening is, the PBMs in particular have done a phenomenal job of demonizing [inaudible 00:06:24] all the manufacturers, generic and brand. Now, every patient in the world thinks you guys are the bad guys. Brand manufacturers, they're the bad guys. That's wrong. Not that they're harmless, not that they always do things right, but it's just wrong that you've been demonized like that.

That's why transparency is so important, because no patient is trying to find the net effective drug price that you're being paid to say, who's the bad person in all of this? They just want to know what their cost is, what their availability is, and what hoops they have to go through. Well, now you just look it up, brand or generic on costplusdrugs.com. You know what our cost is. Two, it's not the manufacturer that's creating the problem because here's the price that they're selling to Cost Plus at. And so for a brand name, it's even worse for them than it is for you. And so we want to solve that problem.

And then in terms of support that the patient gets with hubs, the games that are paid just to get information back is insane. It's like people have forgot about the patient. We want to make it easier for you, brand manufacturers to be able to say to anybody that comes to you, "Go to Cost Plus drugs. You see what they're paying us. You see that this is the right price." 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.

Christine Baeder:

So maybe just to expand on that a little more. So I hear in that that you think transparency is the hook for the brand company, because I have to say, from an economic model, I have a monopoly on some good, why would I work with you?

Mark Cuban:

Well, you want to maximize your profits because you're paying so many ancillary fees, you're getting denied so many times because... Well, put aside generics when you're getting denied because they want to push patients to the brand name. But even for brands, you're not getting the... If there's a thousand prescription total addressable market, you may be getting 10, 20, 30, 40%, and you do your pricing based off the fact that your fulfillment rate is so low. And it's going to get worse for the biologics. Oh my God. I mean, the idea that there's drugs for 1, 2, \$3.5 million, and the insurance companies are all lasering them out and say no, unless you happen to be a Fortune 500 company and they don't want to lose your business, that's the only way we're paying for it. No.

And so why is it worth it to the brand manufacturer? Because if you're fulfilling... The number of denials is dropping by 90% and you're able to reach your total addressable market for scripts, you're going to be able to maximize your profits and you're not going to have all the ancillary costs, you're going to be far more efficient because you're not having to buy your own data back, you're going to be allowed to have a relationship with the patient, you're not going to have somebody in the middle trying to distort that relationship. And in terms of the perception, you're not going to have to spend all that stupid money on television advertising with the fastest talkers in the world at the end trying to explain why you're a good company.

And so all those things. 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. And so if we can have just a little bit of a... If we can just be a pimple on the elephant, that's a step in the right direction.

Christine Baeder:

So how do you marry that point of view with traditional benefit? And my question is really, as you get to higher cost, cost, not price, higher cost therapies, new biologics, there's going to be some sort of a ceiling as to what a patient can afford. So if you fix the model here, how do you then open that up?

Mark Cuban:

Well, first we work with PBMs that aren't traditional PBMs. So the PBMs that work with Cost Plus are not allowed to do rebates, are not allowed to do spread pricing, all the games that are played. So that's one element, and we try to push companies in particular to those PBMs/insurance companies because of that. Two, if patients can't afford it because it's high price, it's not like there's somebody else saving them. They're just screwed. And so whatever we can do to take out whatever distortions, fluff, whatever it may be, ancillary costs that are in between, if we add one patient, two patients... It's mind-boggling.

So I have a friend from college who was in a horrific accident and was paralyzed from the neck down. And we have a mutual friend that emailed me about four months ago now, and he lost his insurance and he takes a generic called droxidopa. The initial price that he got, \$30,000 for three months. Now, any of you who make droxidopa know that-

Christine Baeder:

Yeah. I was going say, that's not how much we sell it for.

Mark Cuban:

... that's an insane price. It's an insane price. And so I didn't know what droxidopa was. I'm like, let me check. I found out it's generic. David went out and got a price, and I think we sell it to him for \$61 a month now, whatever it is. There's our cost on our site. But the fact that that was his first quoted price, imagine you're paralyzed from the neck down and this is the price that you're quoted. When I talk about trust, just the ability now to go to Cost Plus and just look there first. And if there's a medication we don't carry, no matter how high-priced or generic it is, we're going to do all we can to get it.

And when it comes to biologics and the super high-priced stuff, brand driven, well, the manufacturers of those, they're in a bad spot too. And the existing system doesn't work for those. They just get lasered out. So we're talking to them about different types of payment programs, federally supported, state supported payment programs, because we've stopped looking at it from the manufacturer's perspective, because if you're able to increase the RX fill rate, if you will, you mitigate their risk, which means they can charge less. They have to charge 3.5 million to hit their number because they know they're only going to fill 10% of the scripts. If we can put together programs that increase that fill rate, they'll make more money, patients will pay less, the cost for the program will be less, and everybody will benefit. That's where we hope to be on the expensive biologics. Now, will we get there tomorrow? No, but we'll get there.

Christine Baeder:

Okay. So as opposed to the other startups that have appeared over the last five to 10 years, you seem to be jumping right into some sort of vertical integration model or parallel supply chain, I think is how you guys speak of it publicly. Of the four business lines, manufacturing, wholesale, pharmacy, and benefit management, which have you found to be the most challenging and why?

Mark Cuban:

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. And there's always something. So we had thought we'd already be up and running, but hopefully in the next couple months we'll get there, but that's been the biggest challenge.

Christine Baeder:

And which one do you think, of those stakeholders, the benefit management, wholesaler, pharmacy, and manufacturing, do you think is the ripest for disruption?

Mark Cuban:

They all are. They all are. They all fit together because again, wherever there's pricing distortion for reasons that don't benefit the patient, which is 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.

Christine Baeder:

So obviously you're on a quest to increase your offering. What do you think the barriers are for that?

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Mark Cuban:

I think it took some time, and again, thank you to all of you who supported us at the beginning, but it took some time for people to think, okay, it's just a Shark Tank guy. He's just messing around with this. And now people are starting to realize we're real. Hopefully by the end of this week, we'll have 2 million accounts set up and growing, and the number of-

Christine Baeder:

Patients.

Mark Cuban:

Well, patients, accounts, people who set up, right?

Christine Baeder:

Yeah. Yeah.

Mark Cuban:

Yeah, and lives. And the number of scripts and orders keeps on growing and coming in and accelerating. And so we're just going to keep on seeing where it takes us, because again, I have the same, when you run with the elephants, there's the quick and the dead. And so we have to be quick, and I don't think we're impacting anybody else's business in a big way, but we'll get there.

Christine Baeder:

So I spent some time on your website preparing, and one of the things that I did notice from a patient-centric point of view is you do a nice job of laying out that you may get different colored tablets, you may have some... And we know that that's likely because there's different manufacturers that are onboarded and off-boarded. How do you plan to address that patient disruption, or do you get feedback on that?

Mark Cuban:

We get feedback all the time. I mean, it hasn't really been an issue to this point. Again, it comes down to trust. We're only working with grade A quality manufacturers. We're not looking to go to somebody who cuts a corner here, short dates here or there, whatever it may be. None of that. Why would we risk our business? Why would we risk everything to try to be a penny cheaper? We just won't do that.

Christine Baeder:

Okay. So it's been about a year?

Mark Cuban:

Yeah, a year. Not even 13 months.

Christine Baeder:

15% is where you started. Is that sustainable?

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Mark Cuban:

It really is. I mean, you're not going to see us with telehealth. You're not going to see guest celebrity doctors doing podcasts. You're not going to see advertising. We haven't spent a nickel on advertising, and we won't. When we first started going and we're hiring people, they're like, okay, advertising, we need to have. No, I mean, when my buddy went from thinking he's going to spend \$30,000 for droxidopa to \$61, what do they do? They tell everybody. Imatinib. If you need Imatinib, you're telling everybody. You're telling your doctor, you're on online forums, you're speaking to everybody that has the same ailment that you have, and that's our marketing.

Christine Baeder:

So does the model change, and maybe you don't know this yet, when you are the manufacturer?

Mark Cuban:

No.

Christine Baeder:

15%?

Mark Cuban:

Yeah. I mean, now, it's an encumbered 15% because it's not like, okay... You know as a manufacturer, there's the cost of the pill and there's everything else. And so it'll be an encumbered 15%, but we're already working with IDNs to show them our cost and how we're going to price.

Christine Baeder:

Okay. So last year, we had your team here and he said, "Our mission is to get patients connected to the generic companies as directly as possible." That was the quote. And he explained that doing so would unlock sustainability for the generic industry. How does your model support the generic industry?

Mark Cuban:

The transparency, the access, the 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.

Christine Baeder:

So based on what I've read, which certainly isn't comprehensive, this is probably your most public venture into a super highly regulated area. Aside from the general difficulties of ensuring compliance, which are not small,-

Mark Cuban:

Nope. Expensive, yeah.

Christine Baeder:

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... and law and regulations that govern manufacturers for the sales of pharmaceuticals, is there anything that's surprised you?

Mark Cuban:

The number of acronyms. I mean, I'm in tech. And there's an acronym for everything, but pharmacy just kicks its ass. It's not even close.

Christine Baeder:

That's true.

Mark Cuban:

I mean, there's no such thing as a price. There's 15 derivatives and versions of a price for everything.

Christine Baeder:

WACK.

Mark Cuban:

WACK, SMACK.

Christine Baeder:

[inaudible 00:19:33].

Mark Cuban:

JACK, TACK, PLACK.

Christine Baeder:

FLOP.

Mark Cuban:

Whatever.

Christine Baeder:

AMP.

Mark Cuban:

WAP, AMP. 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. And the fact that there's so many and they keep on inventing them is just insane. 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 at something.

Christine Baeder:

How would you expect the AAM members and the generic partners to support you?

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Mark Cuban:

Sell to us. That's it. Educate us. Tell us how we can help you more. 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. The prices 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. That's all. Communicate with us. We want to sell your products.

I mean, I'm sure all of you have talked to David Chen from Cost Plus. That's the maestro. He goes out and gets it done. And so the more products you sell through us, no matter what they are... And if there's something you'd like to see us sell, there's a product you're introducing, let us help you roll it out. I mean, I've got a big mouth, and I'm happy to go out there and talk about it and say how excited I am about it, because each time, you're making the generic for a reason, and that reason is a patient who's going to benefit from it. And we want to help you benefit more and more patients.

Christine Baeder:

So as you're in these conversations, and I'm sure you get feedback from your team, what are the barriers that you're hearing?

Mark Cuban:

There's trepidation just because of trust because we're new and we're a young company. And the other barrier is companies are afraid of the PBMs. What might happen if I'm selling to you? It's not even what they're selling to us for, it's, well, 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 going to make them look bad and we're afraid of what they may do to us. We're afraid that they may not include us on their formulary or jack up or pricing or play all the games that PBMs play. And that's the biggest challenge.

Christine Baeder:

Have you started to think about specialty pharmacy and what you may want to offer in the future for those disease states that require a much more intimate relationship with your pharmacists?

Mark Cuban:

Yeah, for sure. And I'm still learning a lot of white bag and brown bag and this and that, more acronyms and more silly stuff. Take the drug, pick up the drug. Okay. Can we just... Yeah. So we're definitely going to get there one step at a time. But again, we want to sell every medication that we're legally able to sell at Cost Plus 15% and just roll it out there for patients.

Christine Baeder:

Do you hear from manufacturers concern about the transparency itself?

Mark Cuban:

Yeah, somewhere-

Christine Baeder:

And potentially contributing. As a generic manufacturer, we always worry about the race to the bottom because we get to a place where our cost of goods can't be covered. We're not even talking about a margin.

Mark Cuban:

Of course.

Christine Baeder:

We can't cover our costs. So the question that I think is reasonable is, does that transparency inadvertently somehow drive that, accelerate that?

Mark Cuban:

Not necessarily because you tell us what you want to sell it to us for, and if there's someone else selling it cheaper, I mean, that's the market.

Christine Baeder:

Well, that's the market.

Mark Cuban:

Yeah, that's the market. But at the same time, we're just trying to give the best experience at the best possible price for the patient. There's nothing we're doing to hold a manufacturer hostage. Oh, we're not going to add you to our formulary if you don't give us a lower price. Nothing like that at all. That's the value of transparency. But you're right. On one hand, there are going to be certain medications where it's a race to the bottom. You're going to see that with biosimilars. There's going to be a race to the bottom with some of them. The benefit, the patients are going to love them. And what we try not to push forward though are scenarios that create shortages where manufacturers get out of the business so that there's one remaining manufacturer that can just jack up the price.

Christine Baeder:

Listen, we would certainly welcome your voice in that exact issue. We are going to do a campaign as AAM. We'll talk about it later today. But generics are somehow taken for granted in this country. We're the hero. We're 91% of the medication, we're very small percentage of the spend. And anything we can do to amplify the story of the fact that generics are essential and they need to be in a model that's sustainable, we would certainly welcome your support.

Mark Cuban:

Well then just let me help you.

Christine Baeder:

Yeah, we would love that.

Mark Cuban:

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I'll get on Shark Tank and say, "Oh, the AAM, boy, they're amazing. Generics." I'll be like, "Mr. Wonderful. Don't you know what generics can do for you?" You think I'm kidding?

Christine Baeder:

I'll come.

Mark Cuban:

All day every day because-

Christine Baeder:

I'll wear my pretty blue glasses. [inaudible 00:25:11].

Mark Cuban:

Right. I love those glasses. But 91%, that means you impact every family in America at some level. Why wouldn't I? That's why I'm in this business. So if you want me out there just talking shit about everybody else and saying how important generics are-

Christine Baeder:

I didn't say that.

Mark Cuban:

... I'll do it. You don't have to tell me. I'll do it.

Christine Baeder:

Thank you.

Mark Cuban:

Thank you. I appreciate it.

Christine Baeder:

Any closing comments?

Mark Cuban:

You know what? Those of you who are selling to Cost Plus, thank you. All of our patients, thank you. They're your patients too. And those of you who aren't, please do. To Christine's point, generics are 91%. You guys make such a huge difference that you don't get credit for. We'll give you credit. And you see the releases coming out, you see me talking about it in all different types of media, and I'll continue to do so because you guys are that important.

Christine Baeder:

Thank you very much.

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Mark Cuban:

Thank you, Christine. That was great. Thank you.