

Mark Cuban's pharmacy ditches marketing to keep drug prices low as competitors' prices outpace inflation

Article

The news: A new **Brigham and Women's Hospital** in Boston study revealed Medicare could have saved billions in 2020 by purchasing generic drugs from the Mark Cuban Cost Plus Drug Company (MCCPDC).

- Estimated annual Medicare spending on 89 generic prescription drugs was \$9.6 billion.
- Buying through MCCPDC would have saved \$3.6 billion (37%) on generic drugs.

Zooming out: Medicare drug prices are increasing more rapidly than inflation.

- In 2020, half of all Medicare Part D drug prices increased greater than the inflation rate (1%) between July 19 and July 2020, per a new KFF analysis.
- That gap is likely even wider now as the inflation rate climbed to nearly 9% in May 2022, per Pew Research Center.

The problem: US patients can't keep up.

A 2021 GoodRx survey shows US patients are doing the following as a result of drug price hikes:

- Delaying medication refills (19%)
- Rationing meds to extend their prescriptions (16%)
- Switching to a more affordable alternative (13%)

Where do all those MCCPDC drug savings come from? It negotiates prices directly with manufacturers to get lower drug prices. That means it will be cheaper than what consumers spend at their local pharmacies.

MCCPDC's drug prices are already low, but it goes a step further to provide transparent pricing and show how it landed on a certain price tag.

- For example, it posts a clear cost breakdown for each step in the drug process on its website, including the price of the drug, manufacturing, markup, and pharmacy labor.
- The cost of the generic drug for **Lipitor** (Atorvastatin) is only \$3.60 for a 30-day supply at MCCPDC, for instance. That's a stark difference from the retail price of \$55.

The cost of patient acquisition: MCCPDC relies on word of mouth alone. That puts it at an even higher competitive advantage, as its peers swim in consumer acquisition costs like high

marketing spending.



Mark Cuban ✓

@mcuban



Please help us spread the word. We WONT SPEND A NICKEL ON MARKETING. WE COMPLETELY RELY ON WORD OF MOUTH This allows us to price at such low prices. So all help is welcome from everyone and anyone !



Alex Matteo @Alexmatteo94 · Jun 18

Replying to @mcuban

I just found a 3 month supply of the antidepressants I take for only \$28.20. Saving me over \$930 for the same span. It's incredible what you are doing 🙏

10:49 PM · Jun 18, 2022 · Twitter for Android

D2C healthcare companies' marketing costs are becoming more and more expensive, making it difficult to curb their customer acquisition costs.

- For example, during its Q3 '21 earnings call, **Hims & Hers** execs **said** the company saw ad rates increase this year, which typically forces companies like it to make the “tough choice” of spending less on ads and having growth decline.
- By using free channels like **Twitter** to market its tools, MCCPDC can keep consumer acquisition costs low and in turn, keep its drug costs low.
- Meanwhile, competitor **GoodRx** **anticipates** declining 2022 revenues after a major grocery store chain stopped accepting its discounts.