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Will America make a deal with Mark Cuban's generic drug platform?

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Many people are eager to see relief when it comes to prescription drug prices. As costs have risen across our country, entrepreneur Mark Cuban's new venture could offer a solution.

Cuban recently rolled out a website, www.costplusdrugs.com, where people can purchase low-cost generic drugs. It works according to a simple premise: Cuban's operation buys the drugs from their generic manufacturers and adds 15% to pay for its operations, along with a \$3 dispensing fee charged by its pharmacy partner. The method results in lower prices for many generic pharmaceuticals than many individuals pay at their local pharmacy.

How can Cuban's venture charge such low prices?

Because it operates in a transparent manner. Right now, most prescriptions get processed through pharmacy benefit managers, or PBMs. The PBMs, who work on behalf of health insurers, obtain rebates from manufacturers in exchange for placing a drug on its list of preferred pharmaceuticals.

In many cases, however, the rebates the PBMs obtain don't get passed on directly to consumers at the drug counter. Instead, they go to the insurer, which uses some rebate dollars to lower insurance premiums. But the insurers also take a cut of the rebate, as do the PBMs. Rather than funneling the purchase through a series of middlemen, all of whom take a share of the cut at every stage of the process, Cuban cuts out the third parties, lowering net costs to consumers.

The Cuban venture also doesn't take insurance — and that's a feature, not a bug. Paying cash allows people to know exactly what they're paying and exactly what they can save.

For years, companies like www.goodrx.com have provided discounts to consumers on prescription drugs. In many cases, patients could pay less out-of-pocket by using GoodRx (or Cuban's new venture) and paying cash than by running their prescription through insurance. But because people don't know about this trick, they continue to pay higher drug costs than they need to. Hopefully, the publicity surrounding Cuban's venture will encourage more consumers to explore all their options.

This effort provides a perfect example of how to save money by relying on health insurance only for catastrophic expenses. Of course, insurance coverage provides an important source of financial support in the event of significant medical expenses. But when it comes to routine expenses and maintenance medications that have generic drugs available, paying in cash provides a major incentive for individuals to shop smarter in ways that will save money. That's why Congress created Health Savings Accounts nearly 20 years ago — to allow people to save for routine medical expenses on a tax-free basis.

There's a lesson to heed.

Adding market transparency and keeping things simple wherever possible will help lower prices at the drug counter — and the premiums we pay for insurance coverage.

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I would like to draw the Committee's attention to this very recent development in the drug pricing sector - please see attached.

The concept of setting a ceiling on the price of drugs is a common sense regulation given the abusive pricing which has occurred and the vast power asymmetry between drug company and patient that has developed.

Mark Cuban appears ready to disrupt the market constructively. This legislation could be potentially just as constructively disruptive.