

# Primary Care Cures

## Episode 122: Zach Zeller

Ron Barshop:

Welcome to the only show dedicated to a new way of delivering healthcare. This new model has no name, but let's go ahead and call it direct contracting or digital first care. The new way centers on opting out of the games bigs play with their rigged dice, their crooked game board and their purchased referees. And if you're looking for a future where everyone wins, that's the doc, the consumer, the employer, and with assured amazing outcomes and measurably lower costs that are ranging up to 60%, you're in the right place. I'm Ron Barshop, your host. I'm glad you're here. Welcome to the new healthcare economy.

Ron Barshop:

So getting it half, right. Jamie Dimon of JPMorgan is now rebooting how they look at healthcare after their predictable Haven debacle. We will discuss why was it destined to fail later but in two words, they didn't use direct contracting. Direct contracting with five parties is always going to be more effective and save more costs than just about any other method. And it's going to exceed anywhere from 40 to 60% of your \$1.3 billion spend Jamie Dimon, just not with big insurers or PBMs as partners as stated in your press release this week. So ask Warren Buffett, your partner, why the tapeworm wanted Haven? Why entangle a fresh new venture that you're starting with two [inaudible 00:00:41], who want to strangle it? [inaudible 00:00:44] are not innovation partners. They're preservationist masters, [inaudible 00:00:47] profits last year hit all kinds of new records in a pandemic. You think they want change?

Ron Barshop:

No. The big five to direct contract with Jamie Dimon, our primary care, surgery specialists in labor and delivery, labs, imaging, and today's guest can help you with your meds. Jamie, the meds alone, we're going to calculate how much you can save you if you just engaged with crypto. So your bank, as I said, spent over a billion dollars annually on healthcare. You have a 165,000 employees and you announced that you're going to improve the way primary care is delivered and enhance the ability of patients to navigate their own care, but you're going to do it with PBMs and big insurers as partners. Cool, good luck and Godspeed.

Ron Barshop:

Today, I'm happy to introduce you all to Zach Zeller, who is a co-founder of ScriptCo and offers non-specialty meds at their wholesale cost for \$10 membership fee monthly in most states, you're not going to get it cheaper than the wholesale cost period. It's a no brainer for Morgan to talk to you, Zack?

Zach Zeller:

Yes, sir.

Ron Barshop:

Yeah. So let's just tell them how much you're going to save them in the top five, most common drugs out there that are used. Let's talk about atorvastatin before we get into your model. Okay?

Zach Zeller:

Yeah. I mean, it's in the top five meds dispensed in the United States. The thing that's so hard to pinpoint is you can have 10 people walk into the same pharmacy getting the exact same 20 milligram atorvastatin. And you'll have one that has a zero dollar co-pay and one that has a hundred dollars co-pay and everything in between, right? It's just not transparent. It's not true access for the patient because it also changes. You could go in this month and pay \$0 and you'd go in next month and pay \$50. With us, you're paying three to five cents per pill, so if you're taking a pill, one pill a month, that's three cents, times 30. I mean 90 cents, it's pretty simple.

Ron Barshop:

Right. And let's talk about thyroxine. Levothyroxine, did I pronounce that right? Levothyroxine?

Zach Zeller:

Levothyroxine. That's correct. Yeah. Yeah. It's a very popular thyroid drug for thyroids that aren't functioning correctly, depending on which type of levothyroxine you get, again, you're talking pennies a pill. I think our most expensive Levothyroxine is 26 cents, which is-

Ron Barshop:

How about Lisinopril? Let's go through that one. We'll just do a couple.

Zach Zeller:

Yeah. Lisinopril, another huge one, right? Lisinopril is widely used and it's a penny, a pill with us. You can literally get 360 pills, a year's worth for \$3.60 cents.

Ron Barshop:

Wow. And Metformin, everybody that's diabetic knows Metformin.

Zach Zeller:

Yeah. One to three cents a pill, even for the extended release.

Ron Barshop:

And lidaprim?

Zach Zeller:

That's another. Most of these meds, ScriptCo has an online quote tool, right? So anyone can go to scriptco.com and quote these meds and real time and see what they pay as a member. But again, it's very rare for a pill to be more than 20 cents. That's kind of like the upper cost perspective of a generic med. And the thing that's crazy is some people know this. Some people don't, but nine out of 10 medications dispensed in America are generic meds. I mean, there's a

very high likelihood if you are taking maintenance medications that 90% of the maintenance medications you are on are generic medications.

Zach Zeller:

But there's a perverse incentive for the PBM and the traditional pharmacy that operates within the insurance ecosystem to keep prices inflated. And we saw it and we were tired of the shenanigans of healthcare and decided to make a hard pivot away from the insurance ecosystem into what is ScriptCo and the first membership-based wholesale pharmacy in America. And it's been very successful to date and ScriptCo truly has the ability to meaningfully move the whole marketplace in a very positive fashion for the end user, which is everyone on this podcast, right? The consumer.

Ron Barshop:

Everybody. Everybody's on meds. So here's the thing that is exciting to me is you charge \$10 per member per month to access these wholesale rates. And you will mail the drugs to the people after they get their scripts filled if they're a member and usually the employer is going to be paying that \$10, is that right?

Zach Zeller:

So we've moved away from a per member per month. So we do \$140 for 12 months or \$50 for three months. And the reason we've done that is because we always try and supply a 90 day supply. We don't want to fill 30 day supplies because it's a drag on our system. We want operational efficiency. And so, it's \$50 for three months, or it's \$140 for 12 months, but the cost savings is still tremendous. I mean, our average member's saving a thousand dollars a year after they pay for their membership and their medications.

Ron Barshop:

And how many members do y'all have now?

Zach Zeller:

We're just shy of 2000.

Ron Barshop:

Okay. So you're just getting started. You're in 37 states now.

Zach Zeller:

39. We just got some more licenses. So yeah, we're in 39. We'll be at all 50, by the end of the year.

Ron Barshop:

That's exciting.

Zach Zeller:

We haven't started to advertise. It's just been these earned media news releases that have happened, but we're really about to start pouring on a lot of fuel to the fire. And we've got some really, really big opportunities also with some very large multi-billion dollar brokers insurance brokers that would like to roll ScriptCo into their platforms and pay per member per month, and that's still going to get worked out on how we do that. But you're talking a hundred X growth with one signature. So it's definitely here to stay and we're really excited to be a solution for people because as we all know, dollars are not easy to come by and we all need our dollar to go as far as it can, especially when you're talking about our health. And it's just nonsense that prescription costs have continued to do what they're doing.

Ron Barshop:

So the people who want y'all dead basically every PBM is basically either owns or is owned by a large insurer. So there is no such thing as a PBM anymore. They're just basically insurance companies that are hiding behind their umbrella as a PBM or vice versa. So no insurance companies has any interest in helping y'all nor do the PBMs want to help y'all. I guess the drug stores don't want to help you either because you're skipping that step too, right?

Zach Zeller:

Yeah. Yeah. I mean, that's the reality. It's basically like owning your own pharmacy and taking medications off the shelf for what the pharmacy bought them for. I mean, that's just the cold, hard facts. We make no money on a medication. We only make money on memberships. So by paying \$140 a year or \$50 per quarter, you're getting your medication at the true wholesale cost.

Ron Barshop:

Yeah, you can't get it cheaper unless you get it for free.

Zach Zeller:

Yeah, exactly.

Ron Barshop:

So let's talk a little bit about what is a reason why somebody would tell you no to your offer. What possible reason could they come up with?

Zach Zeller:

I mean, really the only no to our offer is someone about the 20% of Americans who do have a Rolls Royce healthcare plan that has a \$0 copay. Outside of that, we win. I mean, the reality is, we see it on our website when people come and quit their medications, they convert because they can't get it cheaper even through their insurance. They just can't. Except for those that blessed 20%, that has a \$0 copay for any generic, and that's-

Ron Barshop:

Well, and that's 20% of workers that doesn't include Medicare and Medicaid. And it certainly doesn't include the people that aren't working. So you're a subset of a subset of 20%, you're maybe 28 million Americans.

Zach Zeller:

Yes sir. You're correct.

Ron Barshop:

Yeah. So that's good by much help to anybody. When are you going to go out and come out with this and really tell the world that you exist? Because 2000 members, I kind of laugh when I think about that, because you'll be getting that up a week pretty soon once you get this out there.

Zach Zeller:

Yeah, we will. We've been really focused on making sure that we don't ever have a misstep in any direction, in any way, shape or form, because I think we're probably 12 to 24 months ahead of our closest competitor coming into this marketplace. We know someone else is going to come in. We're finally at the point where operationally everything's automated, frankly, we don't have to do anything. We can take on 10,000 members in a day and no one has to lift a finger until we start to fill prescriptions. So our biggest burden to bear in this thing was trying to get everything automated.

Zach Zeller:

And our CEO, Mark McCormick has been able to check that box at this point. And so our members move through the join button on the website all the way to getting a tracking number in their inbox for their medications being on the way in a completely automated fashion. So that's really what we've been kind of waiting for. And we're there as of about a month ago. And so now it's time to start pouring marketing dollars on the fire, just to let people know that we exist and that there's a better option in the marketplace. And that unfortunately your insurance, 80% of the time, isn't the better option.

Ron Barshop:

Is your customer going to be the retail market of just individuals out there? Or are self-insured employers going to be your market? Who do you think is going to come find you?

Zach Zeller:

It's going to sound silly, but both. We already know it's going to be both. The thing that we like about the consumer versus the employer is that the consumer moves quickly and it de-risks our cashflow. Whereas the employer moves slowly and creates risk for your cashflow. Because if you get an employer that's just prime example that wants to enroll 150,000 lives like we're going to meet with next week or an employer that wants to enroll 90,000 lives, we're meeting with in three weeks. That would be a significant loss. And so we just don't want to get over our skis too quickly. We're not afraid of that. Like we will, and we are going to do that, but we would like to continue aggregating both as quickly as we can.

Ron Barshop:

So let's talk about specialty drugs. You do not currently offer specialty drugs, right?

Zach Zeller:

We don't.

Ron Barshop:

Okay. Do you have a partner that can sell them at wholesale though?

Zach Zeller:

We don't. We actually talked with SHARx briefly about figuring out a way to do a strategic partnership with them. And basically what they do is they go to the manufacturer. And if someone doesn't have coverage for medication, that's a specialty med through the Affordable Care Act. It's one of their burdens to bear where they basically are almost handcuffed to supplying that medication for free or for a very, very low dollar amount. We just haven't continued down that path right now, because again, the specialty meds account for such a small percentage of the marketplace and our target patient population, which is the 79 million Americans on three or more maintenance beds, it still works a very, very high percentage of the time. And we're just trying to keep it simple until we have more capital to invest in solving other problems outside of generics.

Zach Zeller:

The hard part is you start with the specialty meds like Humira, for example, our costs to go get Humira is \$4,500 for a 30 day supply. I mean, who has the ability to pay 4,500 out of pocket number one, and then number two, even if you do have the ability, do you really want to do that, or do you want to use your insurance, hit your deductible and make them finally give you benefit? Right. And so, unfortunately there's just not a great solution for brand only or specialty meds, because they're still very expensive, even from a wholesale cost basis.

Zach Zeller:

And it's because of the red tape that manufacturers have to go through in the beginning, right? They're spending a hundred million dollars on getting a drug to market and only 10 to 20% of them are actually getting to market. So I don't blame them, they're trying to recoup their costs, but where I do get frustrated is their patents come to time out, but then they pay generic manufacturers not to start manufacturing. The Supreme Court literally upheld their ability to do that. I mean, it's a cut and dry kickback from a brand only manufacturer, a brand manufacturer to a generic manufacturer to prevent them from starting to manufacture a drug that's come off their patents.

Ron Barshop:

Isn't it true though, that the vast majority of specialty drugs can be substituted with a generic?

Zach Zeller:

Yeah. Yeah. I mean, it really is. If you ever talked to any of our pharmacists, I think the biggest reason why some people don't is they've tried it and either there's a real side effect or a phantom side effect that they think they have. And then they come to the conclusion that they can't take a generic for that specific indication. And I know that does happen. But if they tried a different generic, they may get the same benefit without the side effect that they had with the initial generic. So it's hard to not throw the baby out with the bath water when it comes to your health

and you try one thing and it doesn't work. I think the knee-jerk reaction as anyone, for the most part, including myself really would be to go back to what was working. So it's a very challenging situation when you try to go from a brand normally to a generic and for whatever reason have a bad experience.

Ron Barshop:

So I predicted once you get big enough, you're going to have a thousand offers on the table to go away because you're threatening too many circus tents. And I know your investors are going to want some kind of an exit. What are you going to do to prevent the demise of ScriptCo once it gets large and successful?

Zach Zeller:

Mark and I, our CEO talk about this all the time and it's hard. How can you ensure in an exit that someone doesn't for lack of a better word bastardize, what ScriptCo is or buy it and shelf it. And there's things I think that can be done with provisions and part of the acquisition is, "Hey, you can't shut this down." If you're buying it and you shut it down within three years, we can buy it back for pennies on a dollar. There's a bunch of different ways to go about doing that. And our goal really is to create a company that can force a dynamic shift in the marketplace and never lose sight of that. So in the big scheme of things, if, and when that time comes, we're going to find a solution that holds everyone speaks to the fire.

Ron Barshop:

All right. Well, Zach, I'm looking forward to seeing what happens once you expose this beast to the world, it's going to be unleash the [inaudible 00:17:25] and I'm excited for you and for Mark and for your whole team there. I really think y'all are about to get on quite a roller coaster ride.

Zach Zeller:

Yeah. Thank you so much, Ron. I really appreciate it. And we're excited to be on this roller coaster ride and really be able to help people. So I appreciate you having me on today.

Ron Barshop:

So people want to find you at ScriptCo. How would they do that?

Zach Zeller:

Yeah. It's scriptco.com. It's S-C-R-I-P-T C-O.com. Or you can just Google ScriptCo pharmacy. And we're always the first one you can click outside of the ads at the very top of the page. So it's pretty simple. You can go to ScriptCo, you can check out your medication prices in real time. The only thing we don't do is controlled substances and brand only medications. And you can do the math equation prior to becoming a member so you know what your savings is going to be based on what you currently pay versus what you'll pay as a ScriptCo member.

Ron Barshop:

Okay. And if you could fly a banner over America with any message, what would that be?

Zach Zeller:

Transparency and access, that's what lacks in healthcare. I think if you were to really boil down healthcare to why it's such a problem, it's because there is no transparency and there is no transparent access. So I would say ScriptCo accessible and transparent, find at how at [scriptco.com](http://scriptco.com) and that would be it.

Ron Barshop:

Thank you, Zach, for being on the show. We appreciate it.

Zach Zeller:

Thanks so much, Ron. Really appreciate you.

Ron Barshop:

Thank you for listening. You want to shake things up. There's two things you can do for us. One go to [primarycarecures.com](http://primarycarecures.com) for show notes and links to our guests. And number two, help us spotlight what's working in primary care by listening on iTunes or wherever you get your podcasts and subscribing. And leave us a review. It helps our megaphone more than you know. Until next episode.