

FOR IMMEDIATE RELEASE: APRIL 10, 2006

Re: S.696-D (Maziarz)/A.5574-D (Grannis)

An act to amend the public health law in relation to disclosure of gifts provided by drug manufacturers or wholesalers to Health care providers.

This proposal, S.696-D/A.5574-D would provide consumers information on gifts given by pharmaceutical manufacturers to prescribing practitioners. Additionally, the legislation will establish an annual report that will quantify and aggregate a manufacturer's "drug detailing" expenditures in the state. The New York Health Plan Association (HPA) supports passage of this legislation.

Pharmaceutical costs continue to climb well above the inflation rate

Over the past several years, expenditures on prescription drugs have skyrocketed, significantly impacting health care premiums. According to the Centers for Medicare and Medicaid Services (CMS), prescription drugs now comprise more than 12% of total national spending on pharmacy products — a rate that has doubled over the past ten years. Experts anticipate this growth rate to continue over the next decade. For plans, pharmaceutical costs are a growing component of overall expenditures, representing between 15% and 20% of premium. Contributing to this trend is the billions of dollars of promotional spending undertaken by manufacturers designed to influence the public and prescribing physicians.

Health plans recognize the importance of pharmaceutical care as part of a comprehensive benefit, however, there is concern about certain marketing practices and the preponderance of those activities employed by manufacturers. While manufacturers claim these efforts are largely "educational," clearly many of these programs are designed to influence prescribers in a way that is not always beneficial to the patient while contributing to the overall rising cost of health care.

Marketing to physicians: manufacturers employ a sophisticated campaign to increase sales

The increase in direct-to-consumer (DTC) advertisement has not been lost on anyone watching television or reading magazines over the past decade. The airways and print media are blanketed with advertisement for a wide range of prescription drugs (most related to lifestyle – not lifesaving – agents). Money spent on DTC advertising though, represents only about 15% of the overall marketing budget. Manufacturers target the other 85% of marketing expenditures directly at providers. It is estimated that manufacturers spend nearly \$8,000 per physician annually.

Manufacturers use many tools to access providers:

1. An army of an estimated 90,000 "drug detailers" descend upon medical offices to shadow prescribers and to continue to "educate" them on their product(s). An average "detail" call is believed to cost a pharmaceutical company up to \$150 (not including samples).
2. Conferences, honoraria and research "grants" are offered to prescribers interested in learning about or marketing a particular drug.

3. Providers receive voluminous “free” samples, which typically place a patient on a brand drug regimen when a cheaper but equally effective generic could have been employed.
4. Manufacturers purchase and utilize real time data on prescribing patterns, enabling more sophisticated targeting of providers.

It is difficult to gauge how effective these strategies are. However, it’s worth noting that the size of the detailing workforce has changed little over the years and the level of spending for marketing at all levels continues to climb. Similarly, while many providers would deny a manufacturer influenced their prescribing pattern due to a “gift,” countless studies suggest prescribers cannot effectively counter human nature when it comes to these inducements.

Disclosure: reinforcing ethical practices

This proposal does not seek to end these marketing practices – rather it seeks to quantify and publicly report them. Patients may want to know if the medicine they are receiving might have more to do with the physician’s recent trip to a resort or their health status. Are they receiving better care or just more prescriptions?

Public disclosure of this information would serve as a deterrent to providers by limiting the size and number of gifts they may have had conferred upon them by manufacturers. Ultimately, both providers and manufacturers should work together to find effective ways to educate without marketing specific drugs.

Health plans in New York are required to disclose to the state quarterly the amounts they spend on medical care. If a plan fails to meet rigorous statutory targets for medical spending, the Superintendent of Insurance has the ability to reduce premiums. No such oversight of pharmaceuticals exists at this time. However, a disclosure law like this may enable policy makers to finally quantify the impact of drug detailing on prescribing patterns and may spur greater efforts to devise method that will effectively educate providers – not “buy” them. An editorial from the *New England Journal of Medicine* put it another way “To rely upon the drug companies for unbiased evaluation of their products makes about as much sense as relying on beer companies to teach us about alcoholism.”

It is widely perceived that the United States citizens underwrite a large portion of the research and development for new drugs. While some may debate the “fairness” of this apparent policy, there is consensus that Americans should not also be underwriting the marketing programs for pharmaceutical companies across the globe. S.696/A.5574 seeks to provide the sunlight necessary to reduce these expenditures and hopefully spark a change in the process by which prescribing providers are educated on available effective pharmaceutical agents.

For all these reasons, HPA supports the passage of S.696-D/A.5574-D.