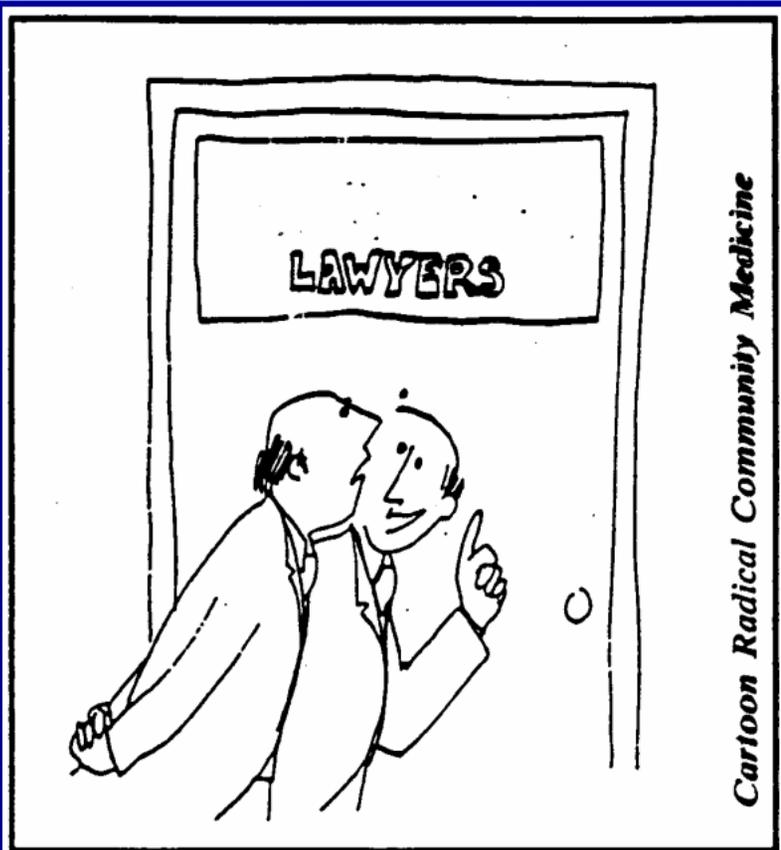


APHA 2007

The Politics between Industry & Public Policy
The Good and the Bad of
How Industry Impacts Public Health



They're working on a new formula that will prolong the life of our patents.

Session 3332.0
Monday, November 05, 2007

Market Distortions and Failures for Public Health:

The Other Drug War

Maggie Huff-Rousselle, PhD, MBA, MA
President
Social Sectors Development Strategies, Inc.

Abnormal Economics

SSDS
Inc.

... in the Pharmaceutical Sector



Cartoon WHO/F. Gallart

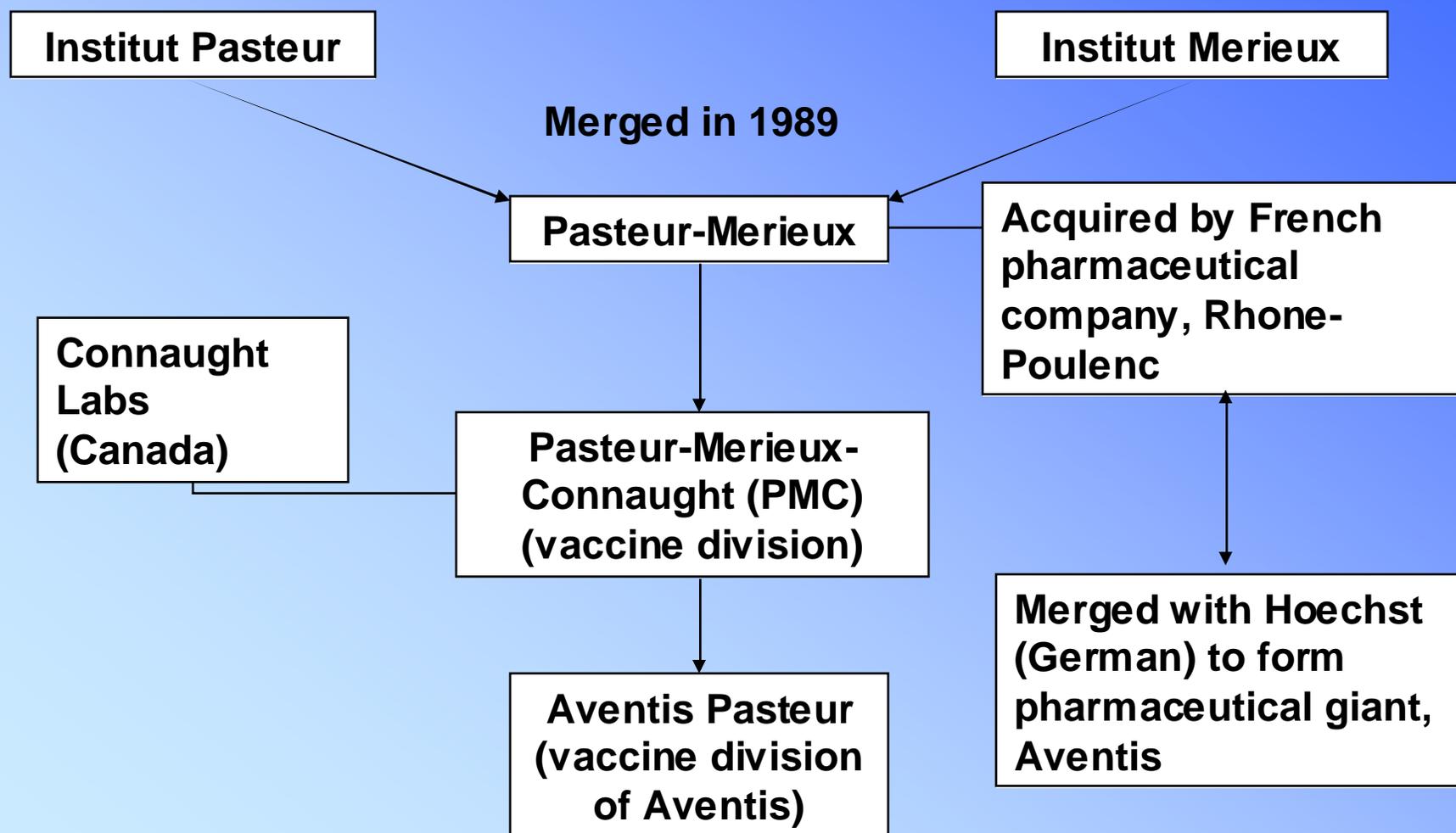
Market Entry & Competition

... What are the Key Barriers?

- Magnitude of Investment Required
- Consolidation & Marketing Strength of Existing Players
- Patents & Brand Names
- Other Regulation designed to Protect Consumers (e.g. HSP)

Market Consolidation

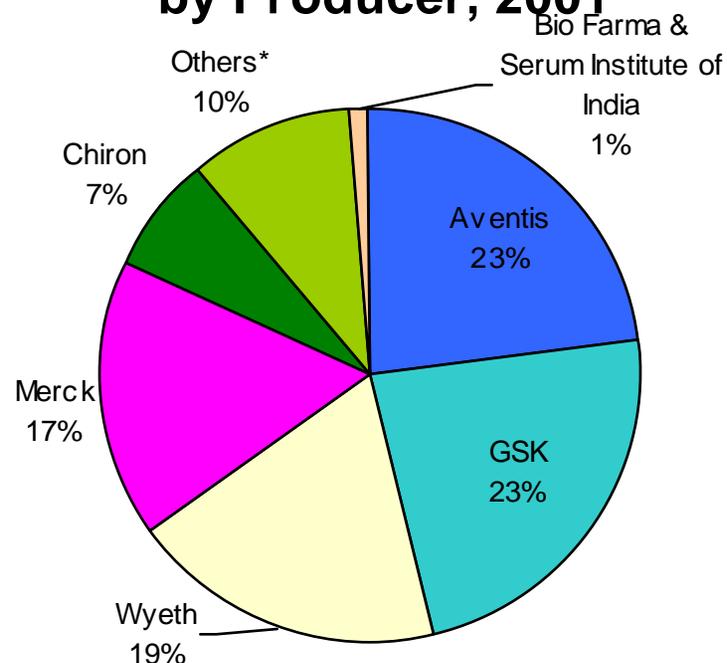
Vaccines: a "Merit Commodity"



Market Consolidation

Vaccines: a "Merit Commodity"

**Worldwide Vaccine Sales Revenues
by Producer, 2001**



*Includes sales of local producers in low & middle income countries

Total Sales 2001 -- \$5.2 billion



Cartoon Radical Community Medicine

They're working on a new formula that will prolong the life of our patents.

Research & Development

... What Drives Invention?

- Industry's Financial Incentives as a Major Engine of the World's Economy
- &
- Public Health Priorities

... Are Frequently in Conflict

Research & Development

... *What Drives Invention?*



IN THE PIPELINE

BLOCKBUSTERS TO THE RESCUE!

Can anything go right for Big Pharma? With a crop of mega-selling meds set to roll out, the industry may be **on the mend**. *By John Simons*

Research & Development

... What Drives Invention?



From the flyer for *Le Medicament au Mahgreb et en Afrique Noire Francophone*

Research & Development

... What Drives Invention?



Supplier-Induced Demand

... What Drives Prescribing?

- Skillful Marketing Strategies
&
- Information Asymmetry

*... Undermines Rational
Choice by Both Providers and
Consumers*

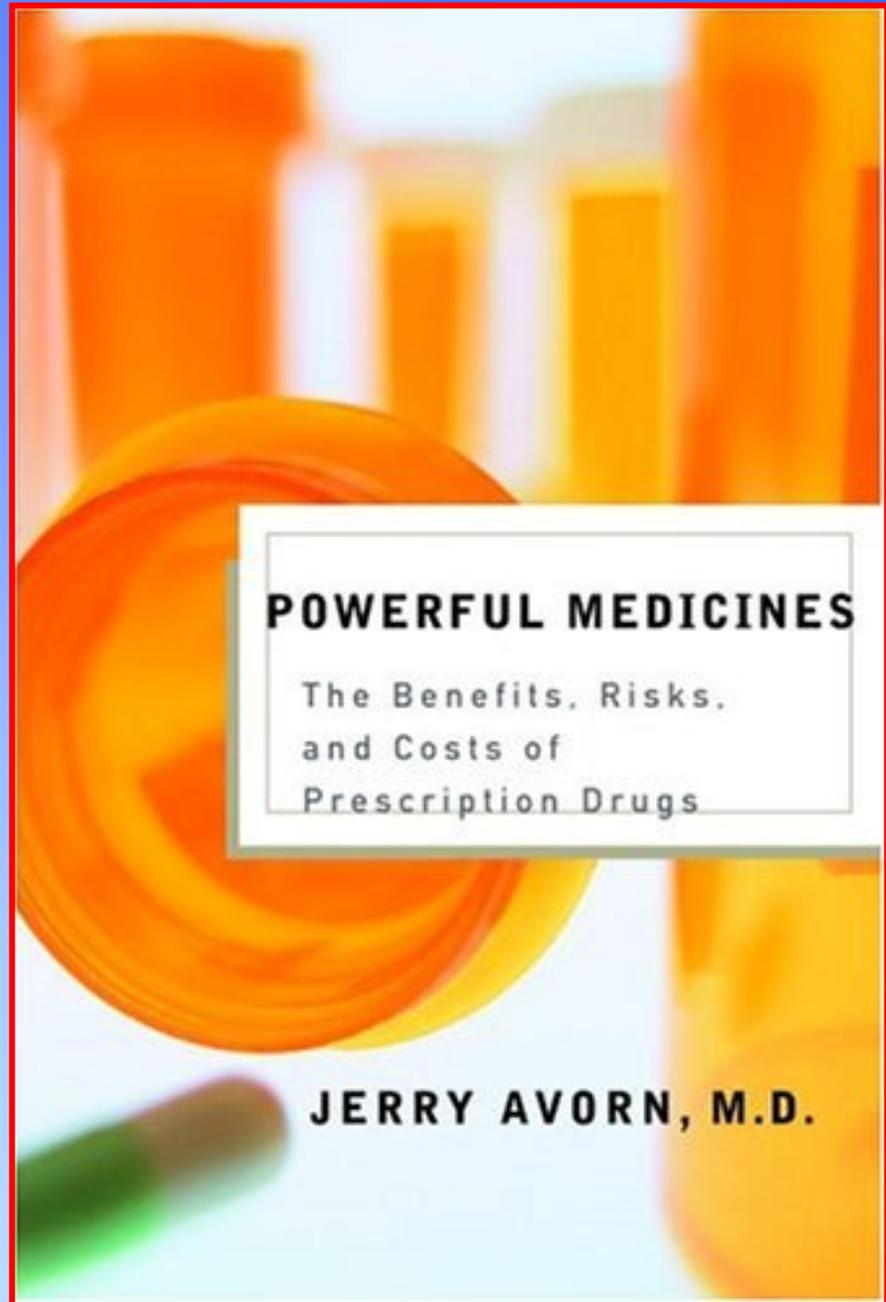
The Truth About the Drug Companies



HOW THEY DECEIVE US
AND WHAT TO DO ABOUT IT

MARCIA ANGELL, M.D.

Former editor-in-chief of *The New
England Journal of Medicine*
Member of the Public Health



POWERFUL MEDICINES

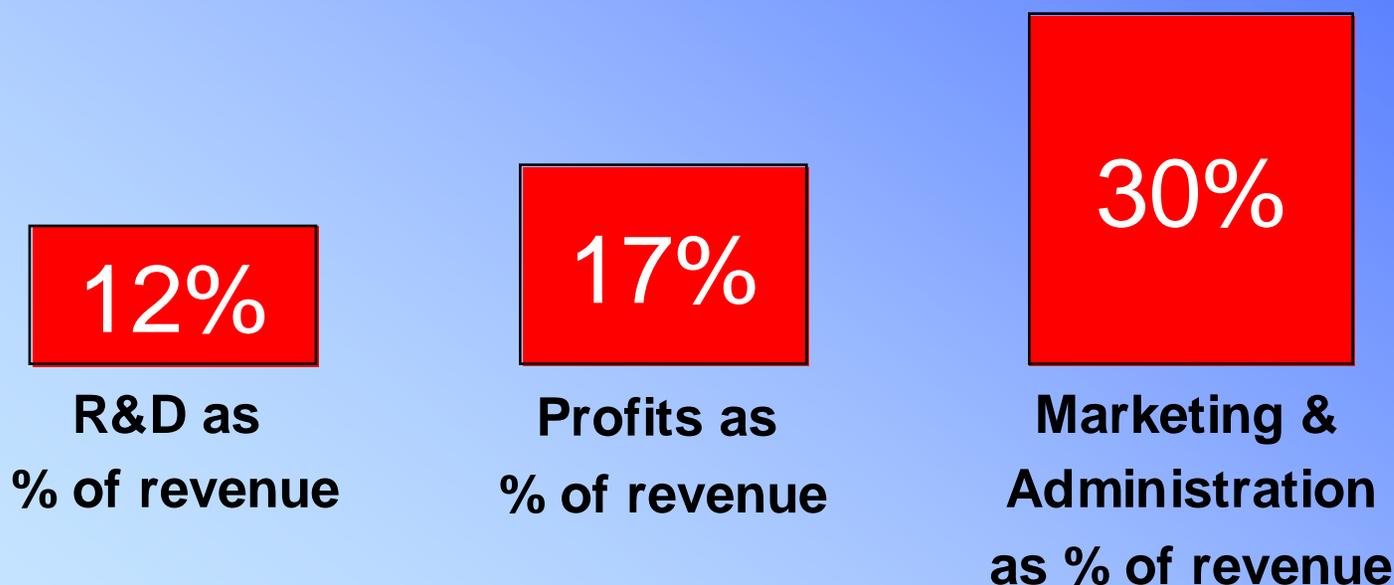
The Benefits, Risks,
and Costs of
Prescription Drugs

JERRY AVORN, M.D.



Drug-Company Finances

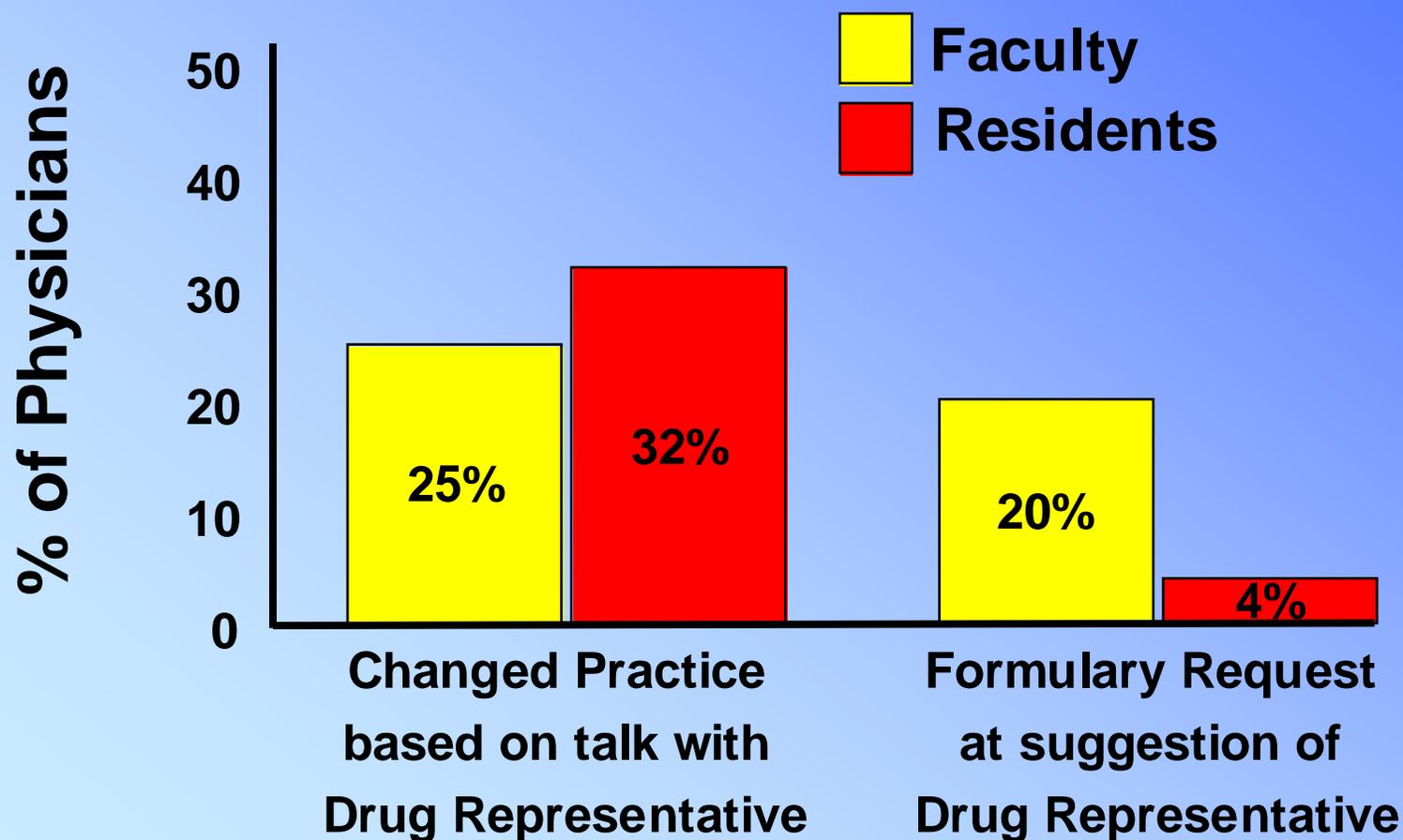
... The US Market in 2000



Source: Public Citizen, 2001

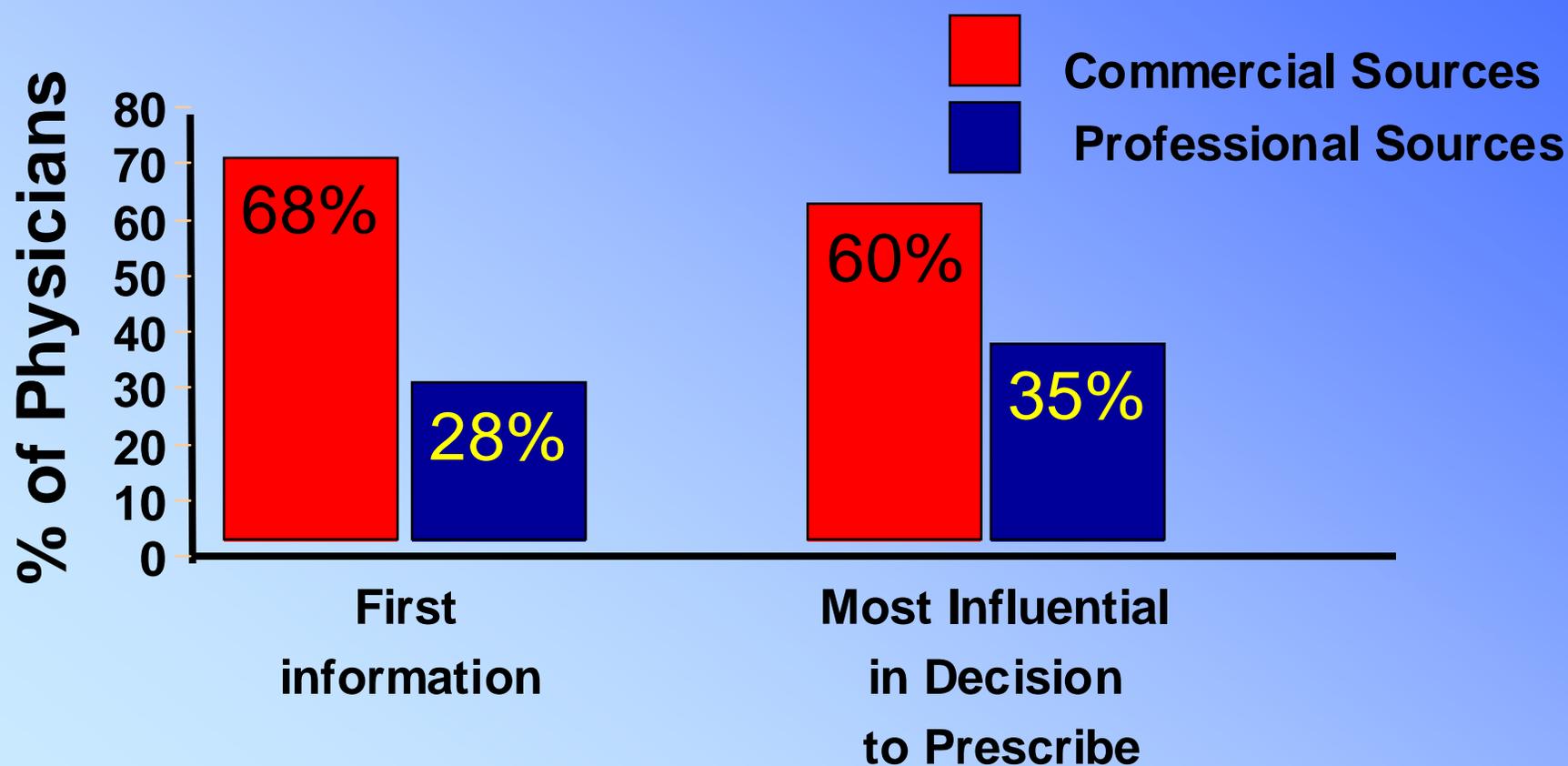
Drug Representatives

...In Academia



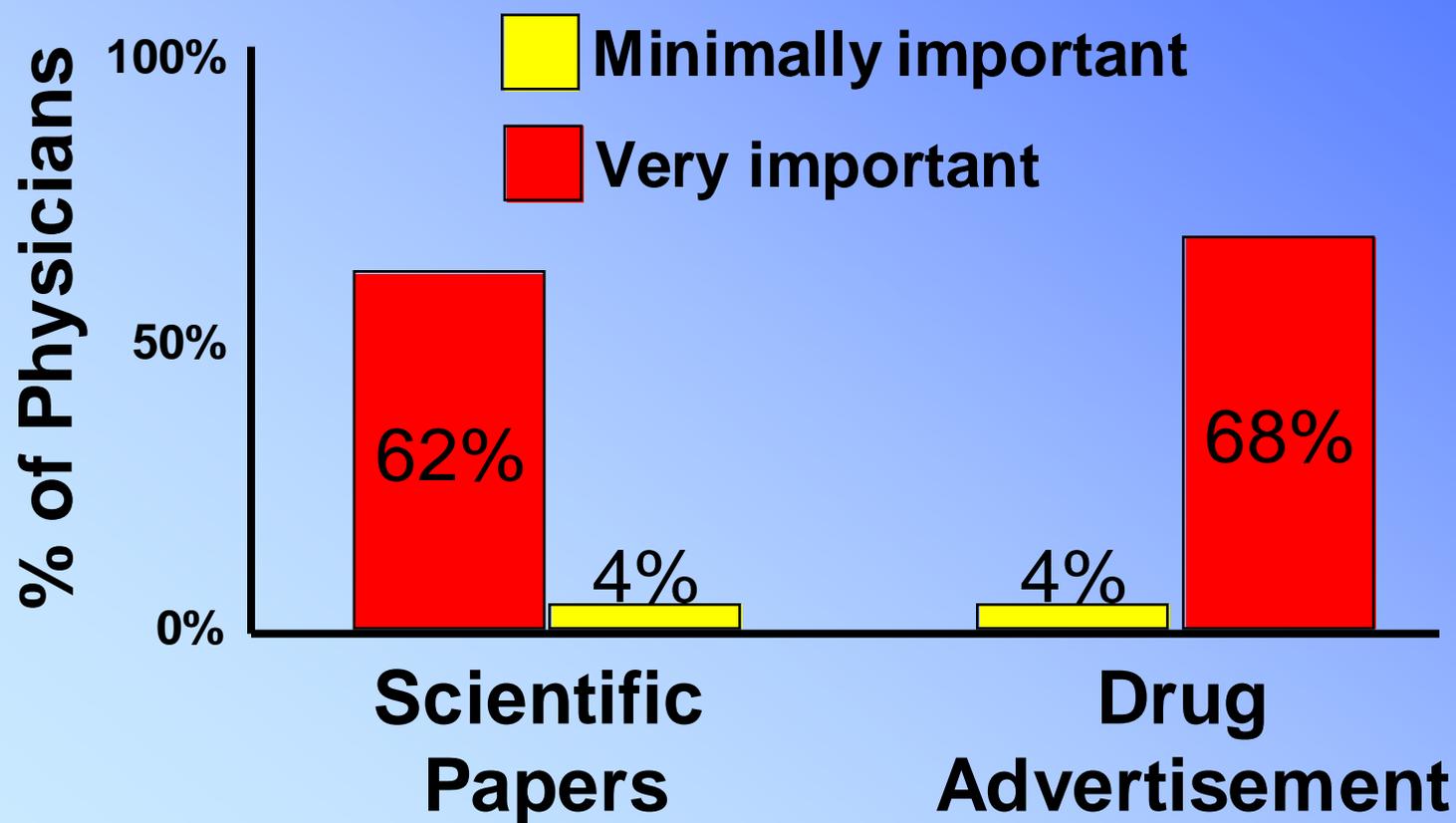
Source: J Gen Int Med 1990

Primary Sources of *Information About Drugs*



Source: Soc Sci Med, 1988

Influence of Advertising ... *Versus Science*

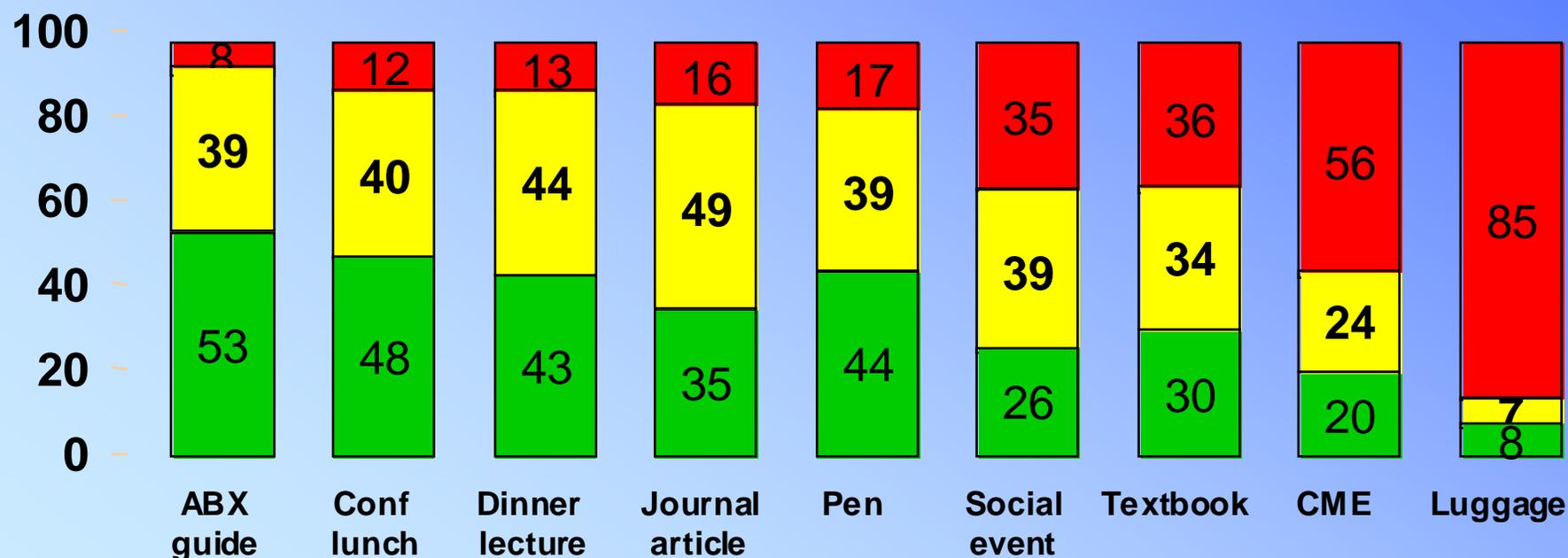


Source: Am J Med 1982

Of Principles, and Pens, and *... Physicians' Values*

Appropriateness

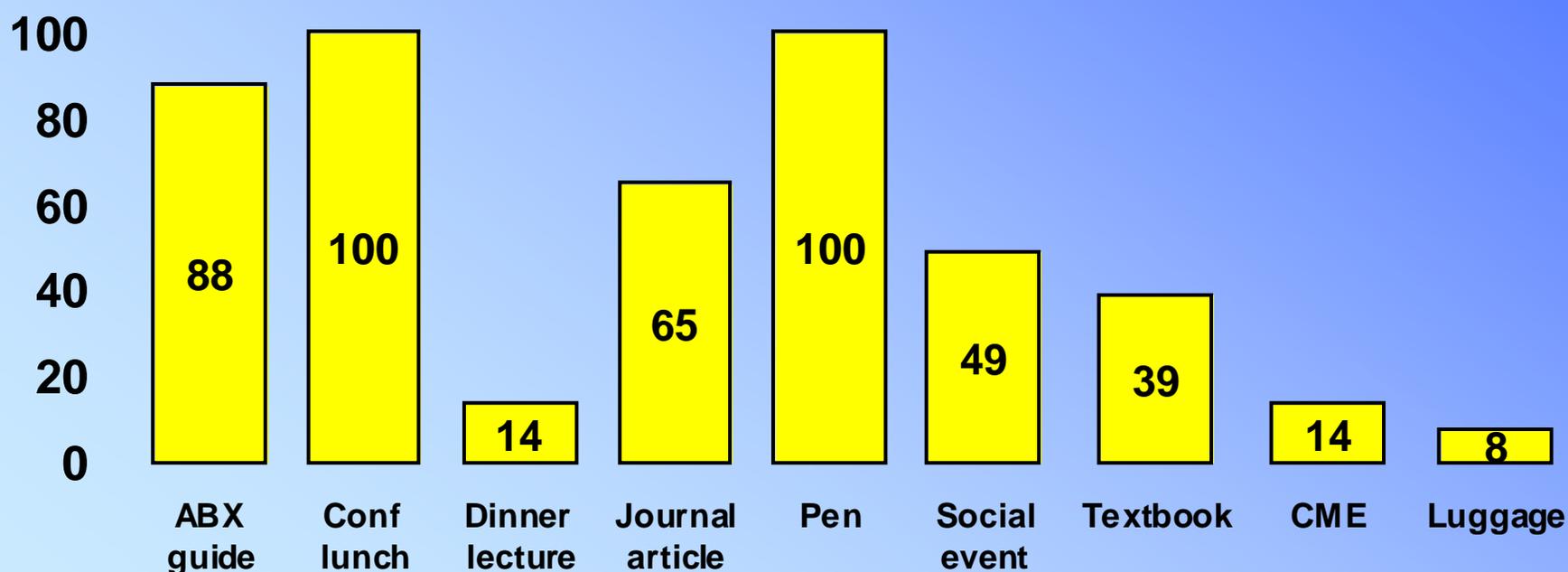
■ Very appropriate
 ■ Somewhat appropriate
 ■ Not appropriate



Source: Am J Med 2001

Of Principles, and Pens, and *... Physicians' Values*

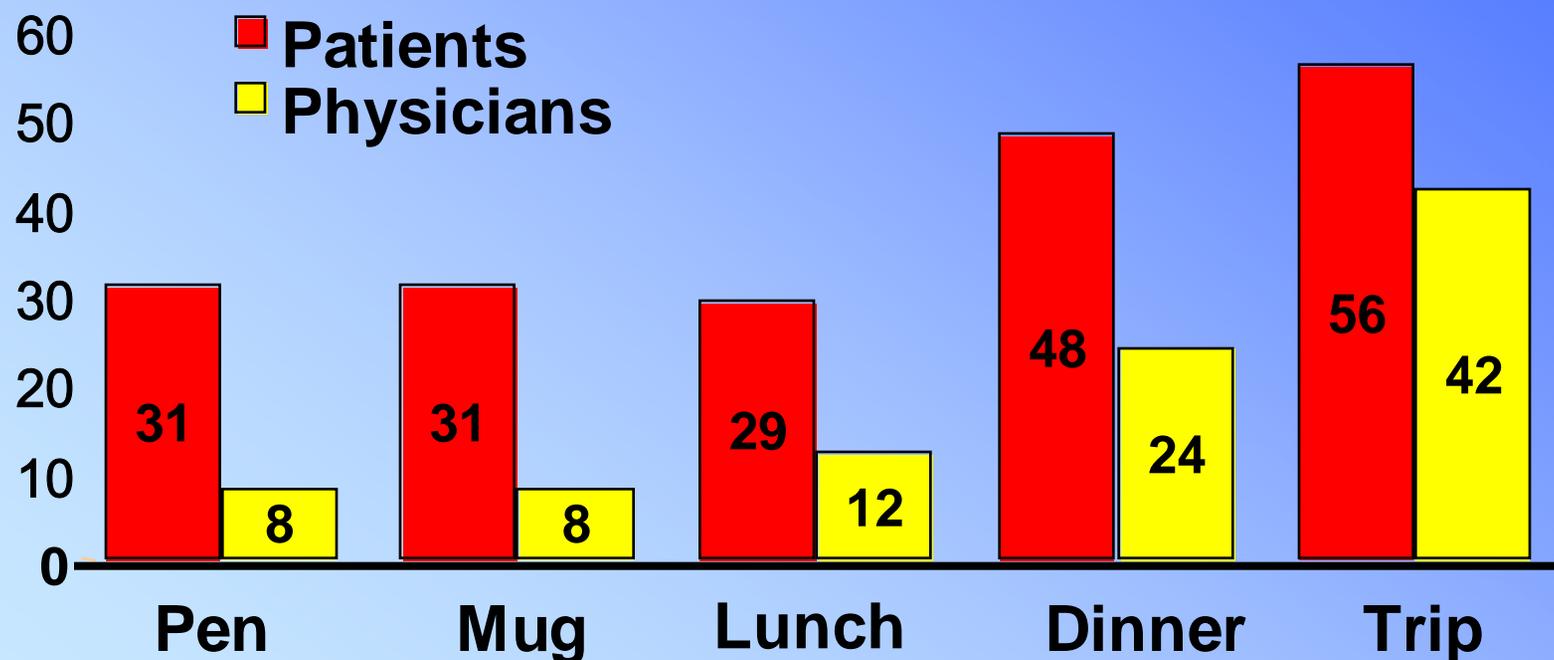
Percent who did/would participate
Even if they consider the activity inappropriate



Source: Am J Med 2001

Contrasting Perceptions

... Which Gifts are Influential

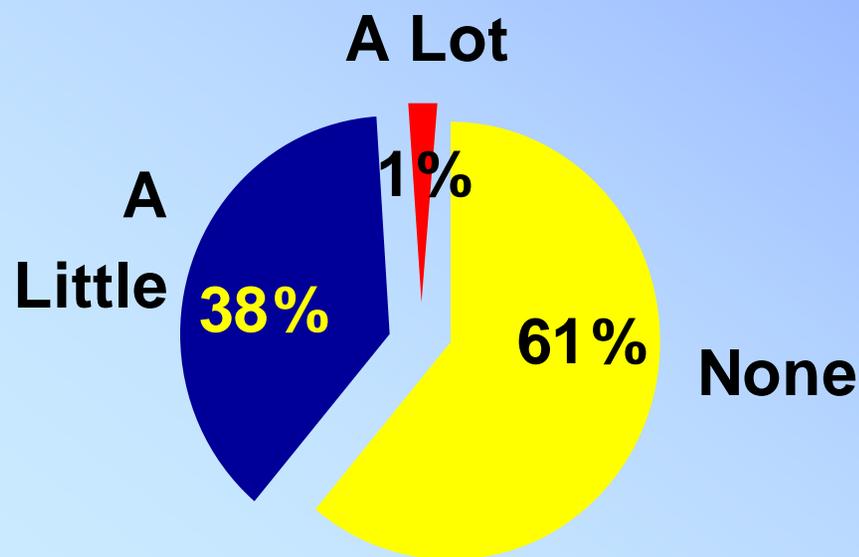


Source: J Gen Int Med 1998

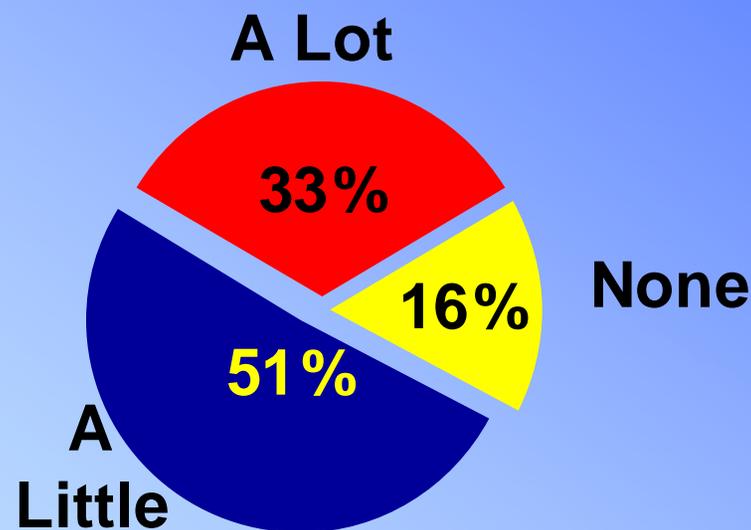
"It's Not Me, it's ... *The Other Guy*"

How Much Influence Does Promotion Have?

On Me



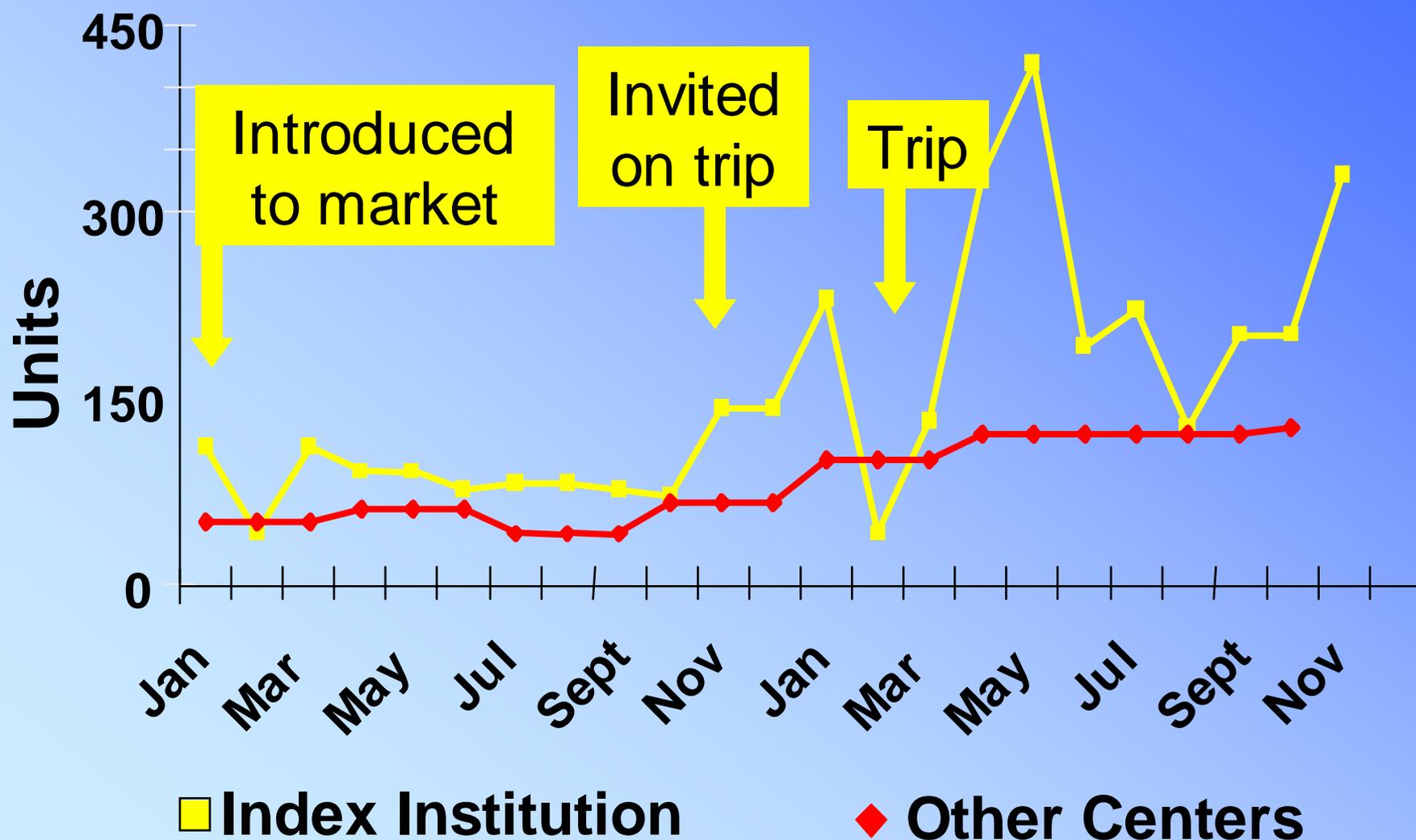
On Other doctors



Source: Am J Med 2001

Sources of Influence

... A "Junket"



Advertising . . .

Masquerading as Information



- Program installation
- Prescribing
 - Select drug by class
 - Dose calculator
 - Print prescription
- Physical activity prescription
- Record blood pressure
- Cardiovascular risk calculator
- Record height / weight / waist
- Record blood glucose
- Record INR
- Calculate respiratory function
- Gestation calculator
- Mental state examination
- Renal function calculator
- Travel medicine
- Pathology ordering
- Medical imaging ordering
- Antibioqram
- Depression recovery scale
- Asthma action plan
- Care plan
- Diabetic record
- Pain assessment
- Drug resources
 - MDRef (drug list)
 - MIMS PI (drug information)
 - MIMS CMI (consumer medicine information)
- Patient education material
- Medication / diagnosis suggests cardiac problems

Asymmetrical Information

... *What Informs Choice?*

Physicians cannot assess

Pharmaceuticals

as they can commodities like

Salt

... **But they *can* do *much better***

Asymmetrical Information

Makes Informs Choice Difficult

Consumers cannot assess

Physicians or Pharmaceuticals

as they can commodities like

Salt & Pepper

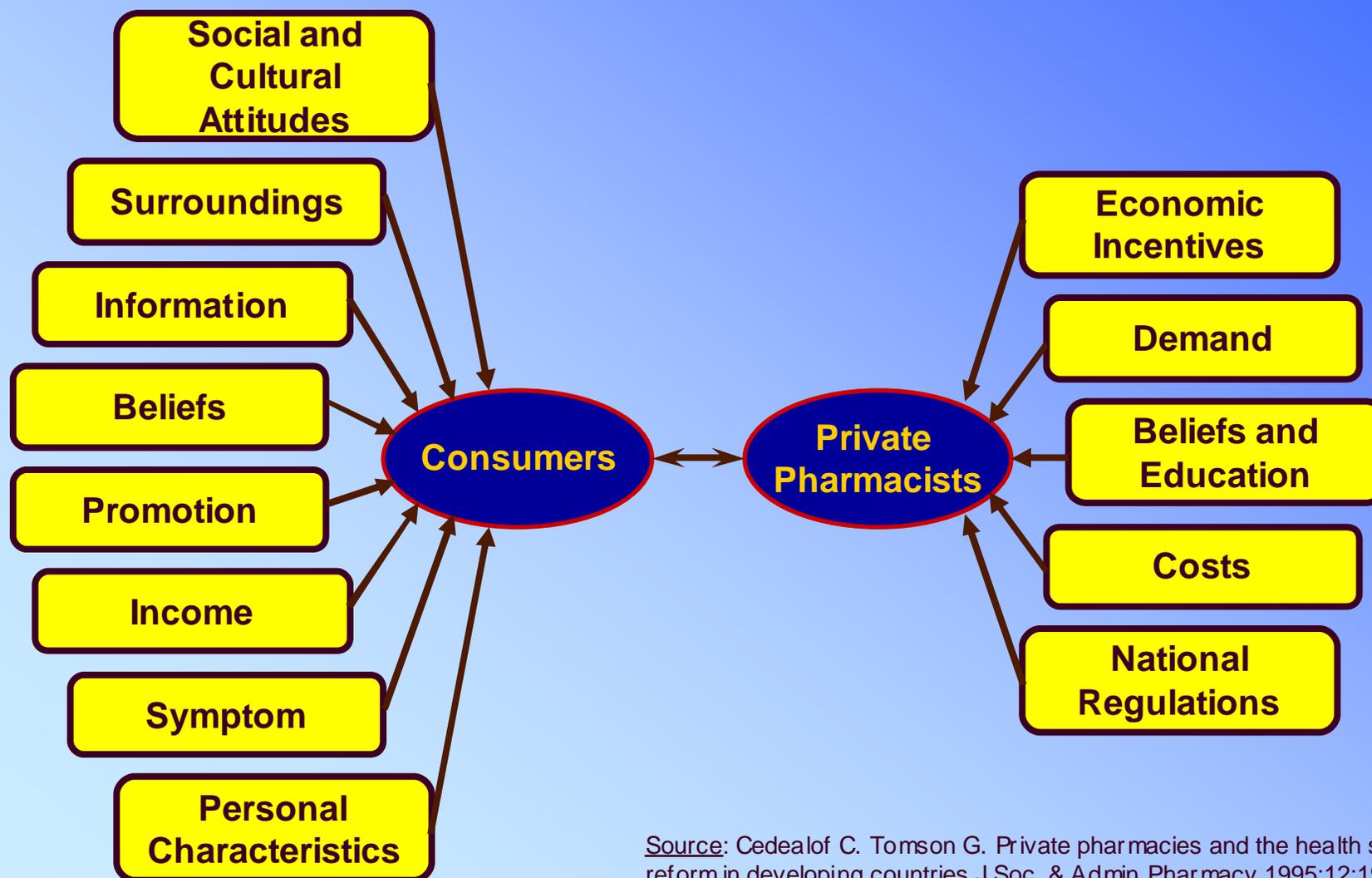
**DAKTARI ANAJUA
UNAHITAJI DAWA GANI
KWA UGONJWA WAKO.
SIO LAZIMA IWE SINDANO
AU KAPSUL.**



**THE DOCTOR WILL DECIDE
WHICH TYPE OF MEDICINE
YOU NEED. YOU DO NOT
ALWAYS NEED INJECTIONS
OR CAPSULES.**

Supply and Demand

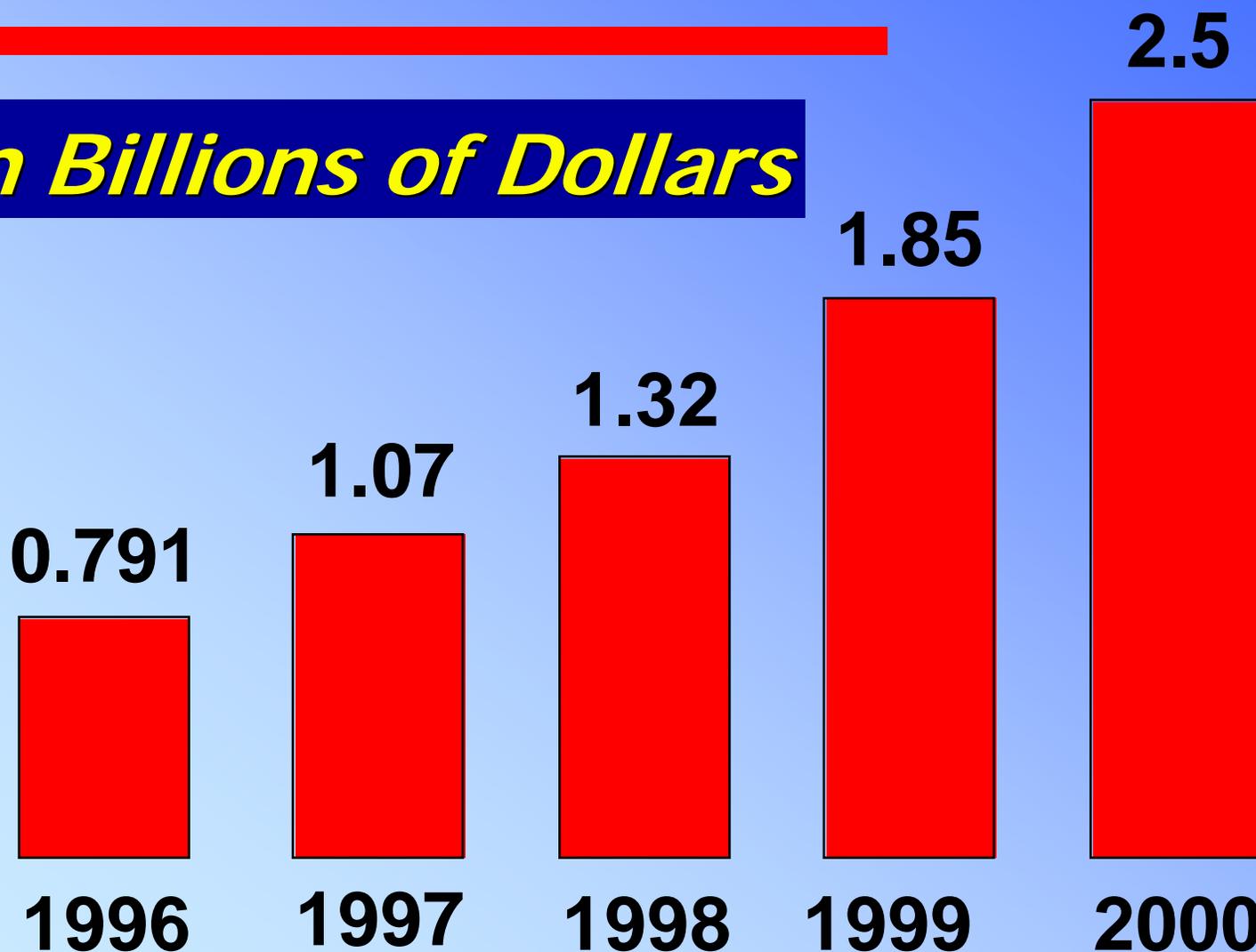
... For Drugs



Source: Cedealof C. Tomson G. Private pharmacies and the health sector reform in developing countries J Soc. & Admin Pharmacy 1995;12:191-11

Industry Spending on *"Direct-to-Consumer" Ads*

In Billions of Dollars



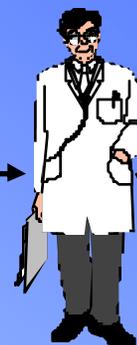
Source: NIHCM, 2001

What Makes Things Tick?

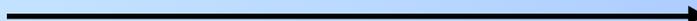
... *Incentives and Distortion*



Marketing
Pull



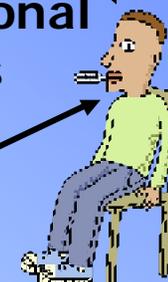
“Bonus” Push
recommending
specific brands



Push for high
margin
products

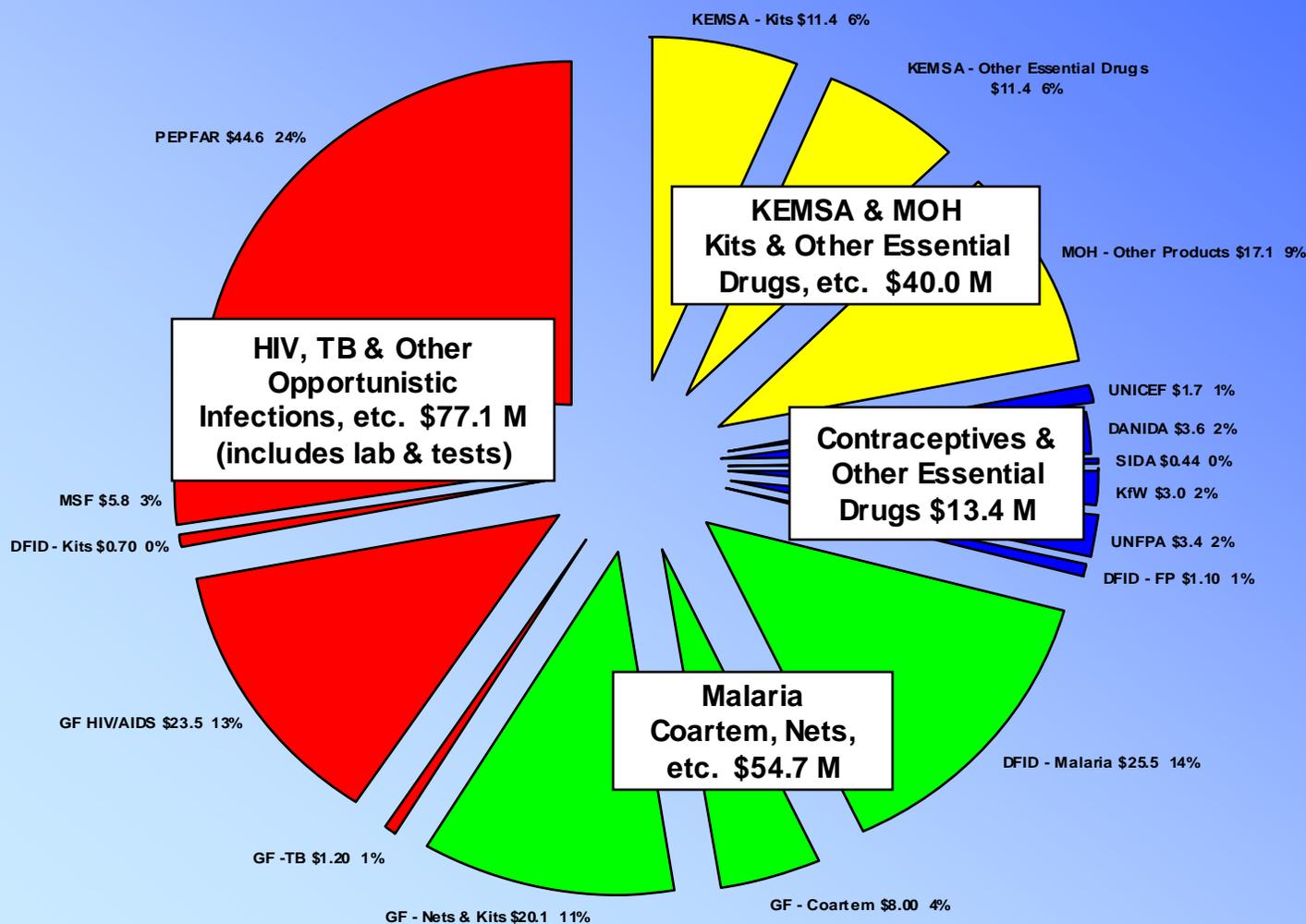


Non-rational
demands



Donor Support in Kenya

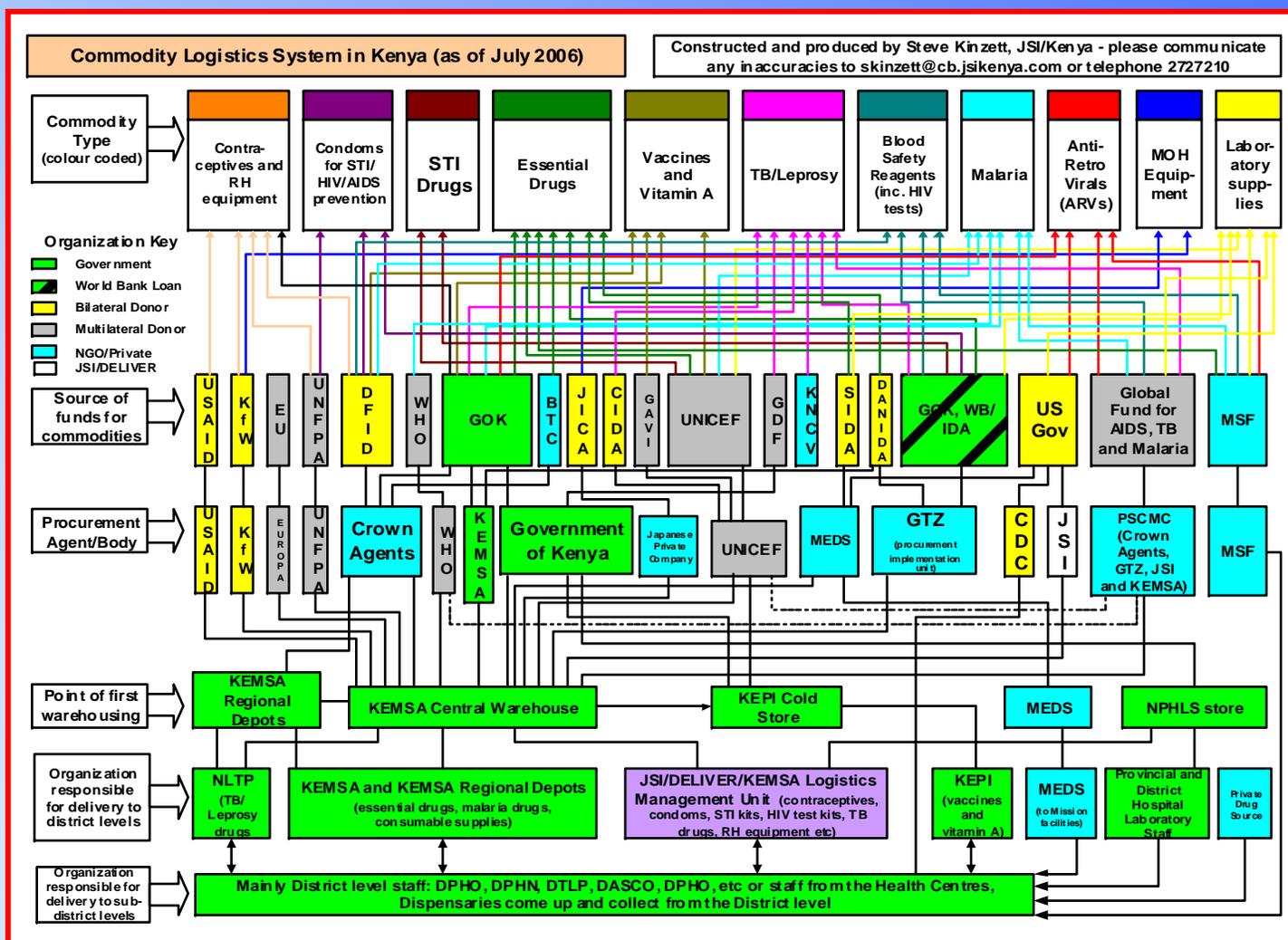
... The "Catch 22" for Supply



Total Value in US Dollars for Fiscal Year 2005/6: \$185.2 Million

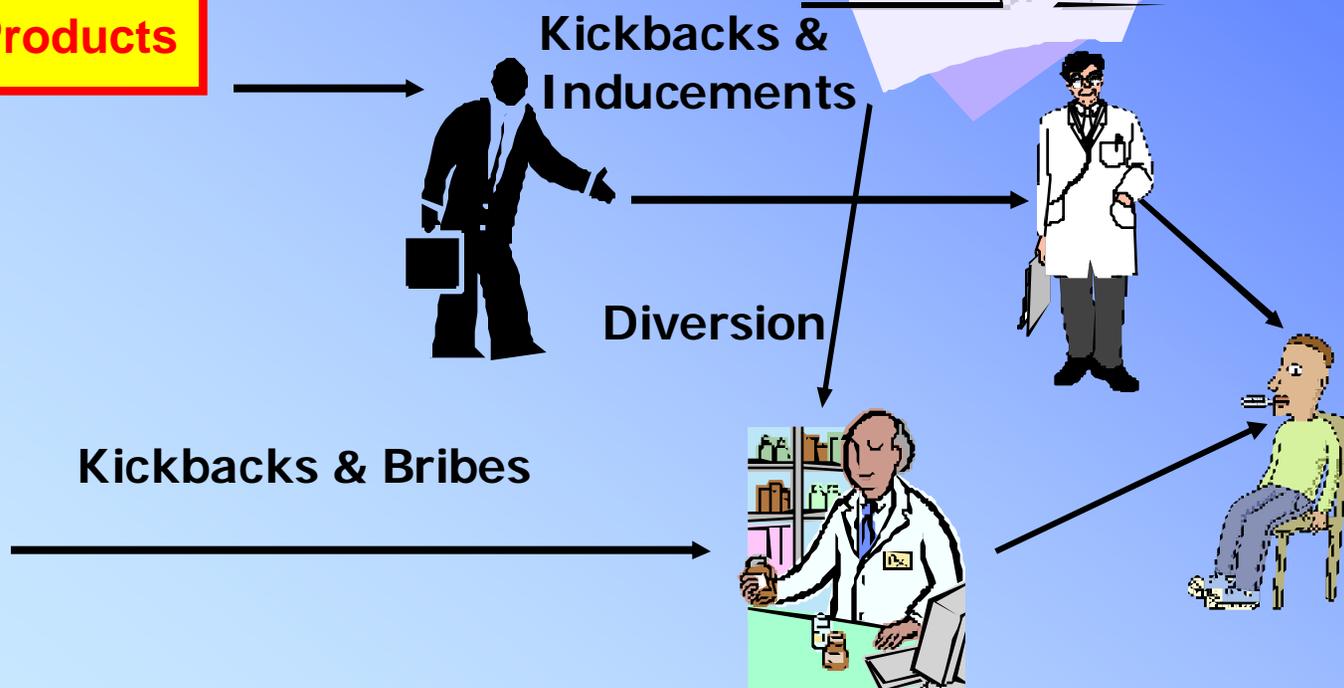
Donor Support in Kenya

... The "Catch 22" for Supply



What Makes Things Tick?

... Incentives and Loopholes



Donations . . .

More and Less Than Humanitarian



Source: *Managing Drug Supply*

THE WALL STREET JOURNAL.

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DOW JONES
Newswires

What's News—

* * *

* * *

Business and Finance

World-Wide

A MAZON'S PROFIT SLID 37% as it continued to plow money into technology and content initiatives. But the Internet retailer also reported a 24% jump in sales and forecast that it would slow its rate of investment in new projects, boosting shares 14% to \$38.35 in after-hours trading.

(Article on Page A3)

■ **Thomson is near a plan to put its Thomson Learning division on the auction block.** A deal could fetch more than \$5 billion.

(Article on Page A3)

■ **The Big Three auto makers' vehicle stockpiles on dealer lots may be a bigger problem than their inventory numbers indicate.**

(Article on Page A2)

■ **Burlington Northern said net rose 18% and forecast higher freight revenue, an indication of a robust holiday-shopping season.**

(Article on Page A1.0)

■ **BP reported a 3.6% decline in net profit, reflecting its operating problems.** The oil company also cut its production forecast.

(Article on Page A13)

■ **THE PENTAGON PLANS** a fresh push to secure Iraq, with a timeline.

Top generals laid out steps, maybe requiring more U.S. troops, that they say will have Iraqis themselves policing the nation within 18 months, increasing pressure on the Maliki government to find a political solution to avert civil war. Democrats labeled it an election-eve desperation move by Bush rather than a viable plan. Britain's military wants out in a year, a U.S. official told Reuters. Four more U.S. soldiers were killed. (Column 6)

Joint Chiefs Chairman Pace said the U.S. can defeat North Korea, but the cost may be higher than if Iraq and Afghanistan hadn't stretched forces.

■ **China said North Korea didn't apologize for its nuclear test when a special envoy visited last week, but said it isn't planning any new blasts now.**

■ **The U.S. is focusing proposed Iran sanctions more tightly on nuclear-related items in a bid to win over Russia and China, U.N. diplomats said.**

■ **Hastert testified to the House ethics panel about when he was told of Foley's advances toward young pages, and urged the inquiry to finish soon.**

■ **Campaigns will spend a record \$2.6 billion this year, a watchdog group said.** The White House invited radio talk-show hosts to express optimism.

■ **Indonesia has freed 202 prisoners to mark the Muslim holiday of Eid al**

Upping the Dosage

Fearing a Democratic Victory, Drug Makers Fund Key Races

Cash Fuels Campaign Debate About Medicare Benefit; Oil, Finance Follow Suit

Stumping for Rick Santorum

By JOHN D. MCKINNON

HERSHEY, Pa.—Few businesses have more at stake in next month's congressional elections than pharmaceutical makers. Assailed by Democrats, drug companies are pouring millions of dollars into close races, giving some Republicans a financial edge. In the process, the industry is becoming not just a campaign backer, but also a campaign issue.

Pennsylvania Republican Rick Santorum is a big beneficiary of the industry's push. He was a leading proponent of the 2003 law that gave seniors Medicare coverage for prescription drugs, and helped shape the law in ways that benefited the industry. Battling to keep his seat in a crucial Senate race, Mr. Santorum's campaign has received almost \$500,000 from pharmaceutical inter-

*Not Sure How to Tie
A Tie? Peel an Apple?
Fold Your Clothes?*

Electoral Rx

Top 10 recipients of contributions from the pharmaceutical industry for the 2006 elections:

Sen. Rick Santorum (R., Pa.)	\$454,500
Sen. Orrin Hatch (R., Utah)	301,050
Sen. Joe Lieberman (I., Conn.)*	240,740
Rep. Mike Ferguson (R., N.J.)	239,670
Sen. Edward Kennedy (D., Mass.)	226,550
Sen. Mike DeWine (R., Ohio)	214,040
Rep. Nathan Deal (R., Ga.)	183,590
Sen. Jon Kyl (R., Ariz.)	179,500
Rep. Nancy Johnson (R., Conn.)	171,460
Sen. Ben Nelson (D., Neb.)	169,890

*Running as an Independent, but leans Democratic.
Source: Center for Responsive Politics

ests and their employees, according to the Center for Responsive Politics, a non-partisan research group. The industry has also helped fund television advertisements and aided get-out-the-vote efforts.

Mr. Santorum's opponent, state treasurer Bob Casey Jr., regularly attacks the Medicare program as "a giveaway to Big Pharma," in part because it bars the government from negotiating prices. He and many fellow Democrats say they will overhaul the benefit if they win control of Congress on Nov. 7. Not surprisingly, Mr. Casey counts just \$11,850 in contributions

U.S. Shifts Onus To Iraqis to Find Political Solution

With Few Military Options, Timeline Set to Meet Goals; They've Got to Do More'

By GREG JAFFE

With few military options left to counter the violence across Iraq, top U.S. officials are shifting more of the onus onto Baghdad's beleaguered political leaders to broker compromises they hope might stem the rising bloodshed.

In a sign that Washington is turning up pressure on Prime Minister Nouri al-Maliki to act, U.S. officials in Baghdad and Washington yesterday said progress on resolving Iraq's ethnic and religious rifts must come soon.

The focus on Baghdad's fledgling government follows the U.S. military's admission last week that its four-month-old plan to secure the Iraqi capital by concentrating U.S. and Iraqi forces there hasn't worked as hoped. It also comes amid congressional-election campaigns in which Republicans and Democrats are pressing the Bush administration to radically change its approach in Iraq.

But little in Iraq over the past three years offers reason for optimism that the renewed pressure on Mr. Maliki will produce better results. Over that period, the U.S. has tried various military tactics—having U.S. troops take the lead, leaving them step back from major cit-

Conclusions on *... Market Imperfections*

- Barriers to market entry (investment, patents, adherence to regulation, etc.)
- Conflicting economic and public health incentives for R&D
- Lack of neutrality in scientific information
- Information asymmetry between industry and physicians
- Information asymmetry and price sensitivity/signals for consumers
- Industry role in influencing prescribing/consumer decisions
- Commercial incentives/influences along the supply chain
- Incentives for fraud and corruption (including donations)
- Laws & regulation lack muscle