



THE DEVIL IS IN THE DETAILERS

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WHAT'S BAYER BEEN UP TO LATELY?

July 16, 2003 press release:

- NFL announces Bayer and GSK as first-ever multi-year “Proud Sponsors of the NFL.”
- Three-year agreement.
- Exclusive rights in the men’s health category.

July 31, 2003, press release:

- Bayer, GSK, and the NFL announce that Mike Ditka will be the spokesman for the NFL’s national men’s health education campaign.
- Over 120 million people watch NFL games every week.

Why the NFL and Iron Mike?

- To promote Levitra, a new competitor for Viagra in the limp noodle sector.
- To promote a good image of Bayer and GSK to prospective Baycol trial jurors.

www.pharma.bayer.com



“LICK AND STICK”

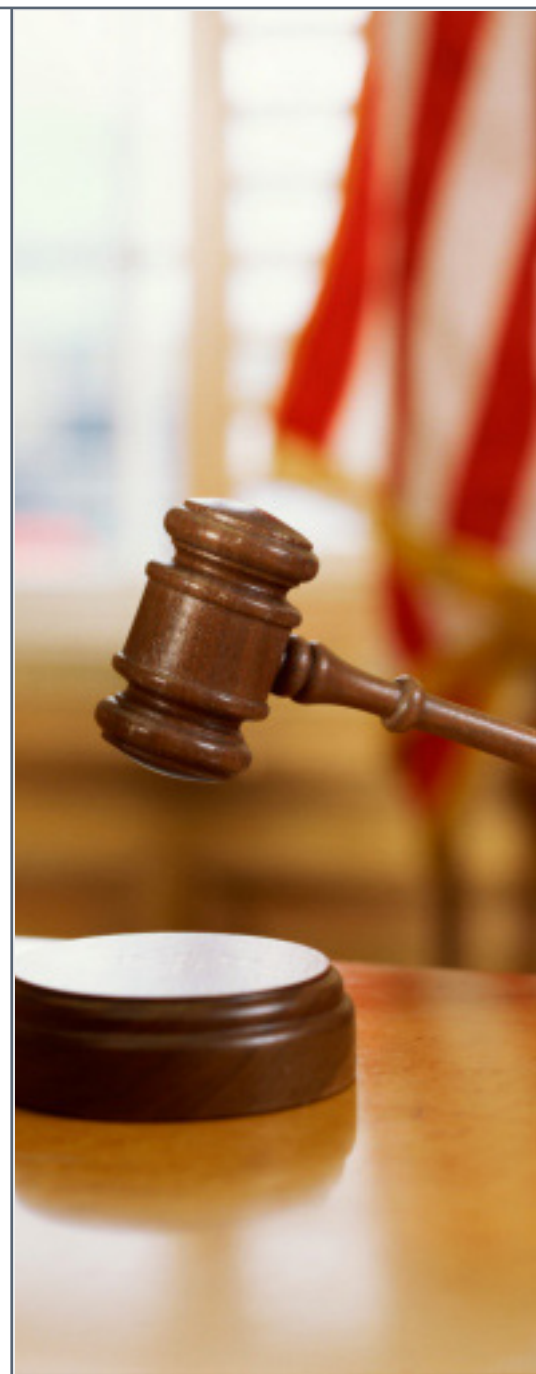
Have you heard about this one?

- Federal regulations require drug suppliers to pay the government quarterly the difference between what Medicare paid for a drug and the lowest price the drug was sold for.
- Bayer sold Cipro and Adalat to Kaiser Permanente at a 40 percent discount.
- Under “Lick and Stick” Bayer hid this discount from the government by relabeling the drug packages going to Kaiser Permanente to disguise their origin.

The feds ended up taking the lickin’ stick to Bayer.

- \$257.2 million fine and guilty plea to False Claim Act charges earlier this year.
- George Couto, former head of Cipro marketing for Bayer, was the whistleblower.

Remember: Bayer is good at revising history.



Pharmaceutical Data Collection

What is it?

- Collection of prescription drug sale information from pharmacies and healthcare providers and institutions

What kind of information is collected?*

- prescription sales volume
- Prescribing physician and specialty
- Patient demographics (age and gender)
- Payment type (insurance, cash, or government)
- Prescription type (new or refill)

The customers for this data are large pharmaceutical manufacturers.

What else do the collectors of this data provide to customers?

- Sales volume by physician (including competitor info)
- Identification of high and low volume prescribers
- Tailored sales messages
- Evaluation of sales representatives & of their compensation

Sources: www.arclightsystems.com & www.imshealth.com
 Ossolinski, Rob – Sales Representative for Eli Lilly and Company (personal communication with Brett Lake, April 18, 2003)
 McGrath, Mindy – Bristol-Myers Squibb Corporation (personal communication with Brett Lake, April 17, 2003)

Data collection market size and shares*

Global (2002)	\$1.4 billion
IMS Health	88.7%
NDC Health	11%
ArcLight	0.3%**
North America (2002)	\$761 million
IMS Health	80%
NDC Health	19.5%
ArcLight	0.5%**

IMS Health

2002 revenue of \$1.4 billion

- Exclusive focus on the pharmaceutical industry

Operates in 100+ countries (50% of revenue non-US)

Dominates every market

- 80% U.S. & Canadian, 90% in U.K.
- Only provider in many countries
- Sells to virtually all pharmaceutical and biotech companies

IMS Health data sources

Processes 165 billion pharma records each month

29,000 data suppliers

- Covers 225,000 data sites around the world
- Wholesalers, i.e., Cardinal Health
- Retail pharmacies
- Mail order pharmacies
- Long term care facilities
- Hospitals
- Managed care organizations

Detailed information on:

- Prescribing physicians by name and specialty
- Prescription sales volume
- Patient demographics (age, gender)
- Payment type (cash, insurance, government)
- Prescription type (new, refill)
- Competitor sales information
- Pharmacy name
- Zip code for where the drug was sold

Data provided on weekly or monthly basis

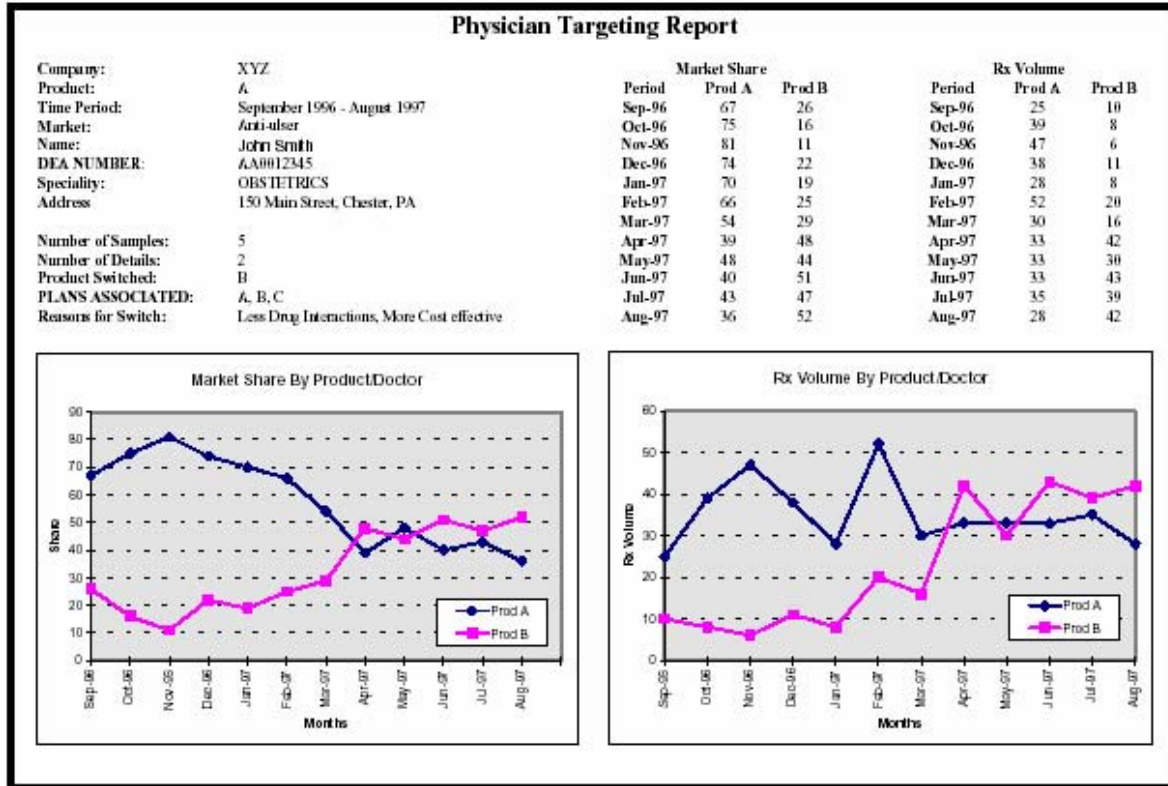
- Weekly – accurateness is questionable
- Monthly – analyzed to ensure accuracy and reliability

"Largest Market Research Firms, 2000." Marketing News, August 1, 2000, p. H4. World Market Share Reporter 2001-2002. Gale Group, 2001. Reproduced in Business and Company Resource Center. Farmington Hills, Mich.: Gale Group, June 2002.

"IMS told to sell Wholesale Sales Data Service business." Chemist & Druggist. March 6, 1999 p24(1)

www.imshealth.com – Available April 10, 2003 in the "IMS Facts At-a-Glance" section

Figure 2:



Source: Ibid

NDC Health

- Largest competitor for IMS
- IMS has \$1.2 billion vs. NDC's \$150 million in revenue from pharmaceutical data sales
- Operates in four countries: The United States, Canada, The United Kingdom, and Germany

NDC Health data

- Collected in the The United States and Canada only
- Source: retail pharmacies only
- Type of data collected: asically same as IMS
- Customers: 100+ pharmaceutical manufacturers

NDC Health Corp. 2002 10-K. Available: www.sec.gov

ArcLight Systems

- Formed in 2001 by ten pharmacies and one wholesaler*
- Cardinal Health (second largest medical wholesaler)
- Wal-Mart, CVS, Kmart, Albertson's, Happy Harry's,
- Duane Reade, Kerr, Lewis, May's

Services

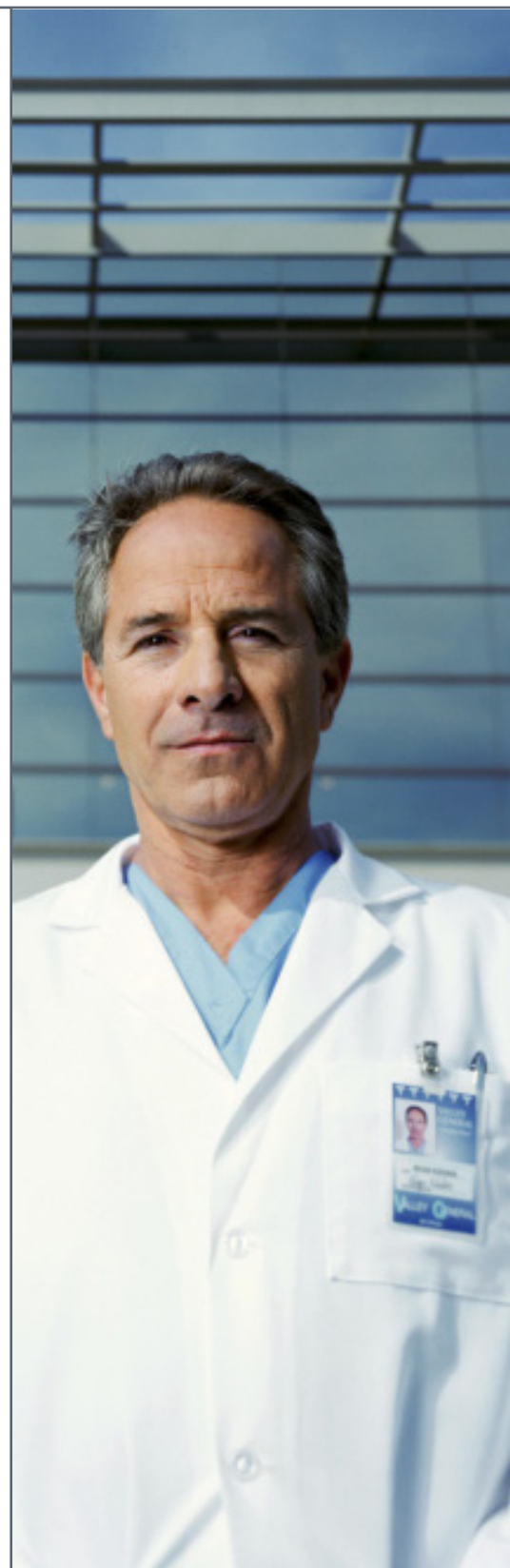
- Real time data collection
- Consulting services

2001 customers & cost

- 13 pharmaceutical manufactures as customers
- System cost - \$300,000 per year for unlimited use

R(x)ealTime

- 24-hour stream of Rx sales information
- Near real-time – updated every 10 minutes
- Source – 12,000 U.S. pharmacies (owners)
- Aggregated information provided
- Sales volume by state or census region
- Selling pharmacy not disclosed
- Physician's specialty (name not disclosed)
- Patient demographics (age, gender)
- Prescription type (new, refill)
- Payment type (cash, government, or third party)



R(x)ealTime system benefits:

- Contemporaneous new and lost prescription data
- “Pfizer and Bristol-Myers Squibb recently watched in near real time the impact of Bayer’s withdrawal of Baycol from the market –Lipitor gained market share among cardiologists while Pravachol gained among general practitioners.”*
- Immediately identify drugs that are not selling well

*Chew, Jennifer, Brown, Eric, Child, Meredith. “XRM Breaks Down Healthcare Barriers.” The Forrester Brief. December 20, 2001. Forrester Research, Inc. p2

McGrath, Mindy – Bristol-Myers Squibb Corporation (personal communication with Brett Lake, April 17, 2003)

What do we do with doctors’ prescribing information?

“The rep’s objective is to try to get a commitment from the physician on the volume of prescriptions that they will write...And when a drug rep realizes that a doctor is living up to his or her commitment...that doctor might be selected to do a speaking engagement in ah Fiji ... Or perhaps they will be selected to be involved in some sort of a drug study...Being selected to take part in a study can have big benefits, Sarah tells us...A lot of those drug studies are just guises for giving away computer, fax, printer, copier type equipment, palm pilots.”

http://www.cbc.ca/disclosure/archives/0103_pharm/datatrade_print.html

COMPARISON SUMMARY

	IMS	NDC	ArcLight
Info availability	Weekly/monthly	Weekly/monthly	Every 10-minutes
Level of detail	Physician	Physician	State
Type of detail	Individual	Individual	Aggregate
Source of data	all distribution channels	Retail pharmacies	10 pharmacy chains
Nations covered	100+	U.S. & Canada	U.S.
Primary use	Marketing & Sales force	Marketing & Sales force	Marketing



HOW PHARMACEUTICAL SALES REPRESENTATIVE GET THEIR JOBS.

Pharmaceutical sales reps are hired based only on their intellect, honesty, and integrity.

You all believe this, right?

Allison Alderson

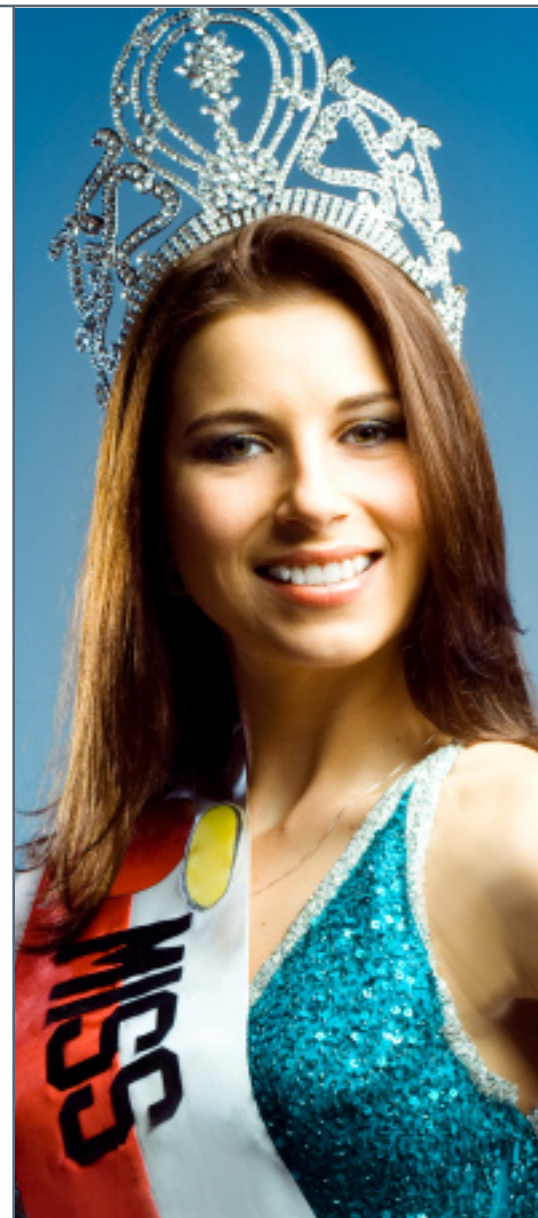
- Eli Lilly & Co. pharmaceutical sales representative.
- Miss Tennessee
- Favorite movie: "Sabrina."

Trisha Stillwell

- Miss Oklahoma
- Pharmaceutical sales rep for GlaxoSmithKline

Lynsey Adame

- Pharmaceutical sales representative
- One of the "ten most beautiful people in South Texas," according to the Corpus Christi *Caller Times* newspaper.

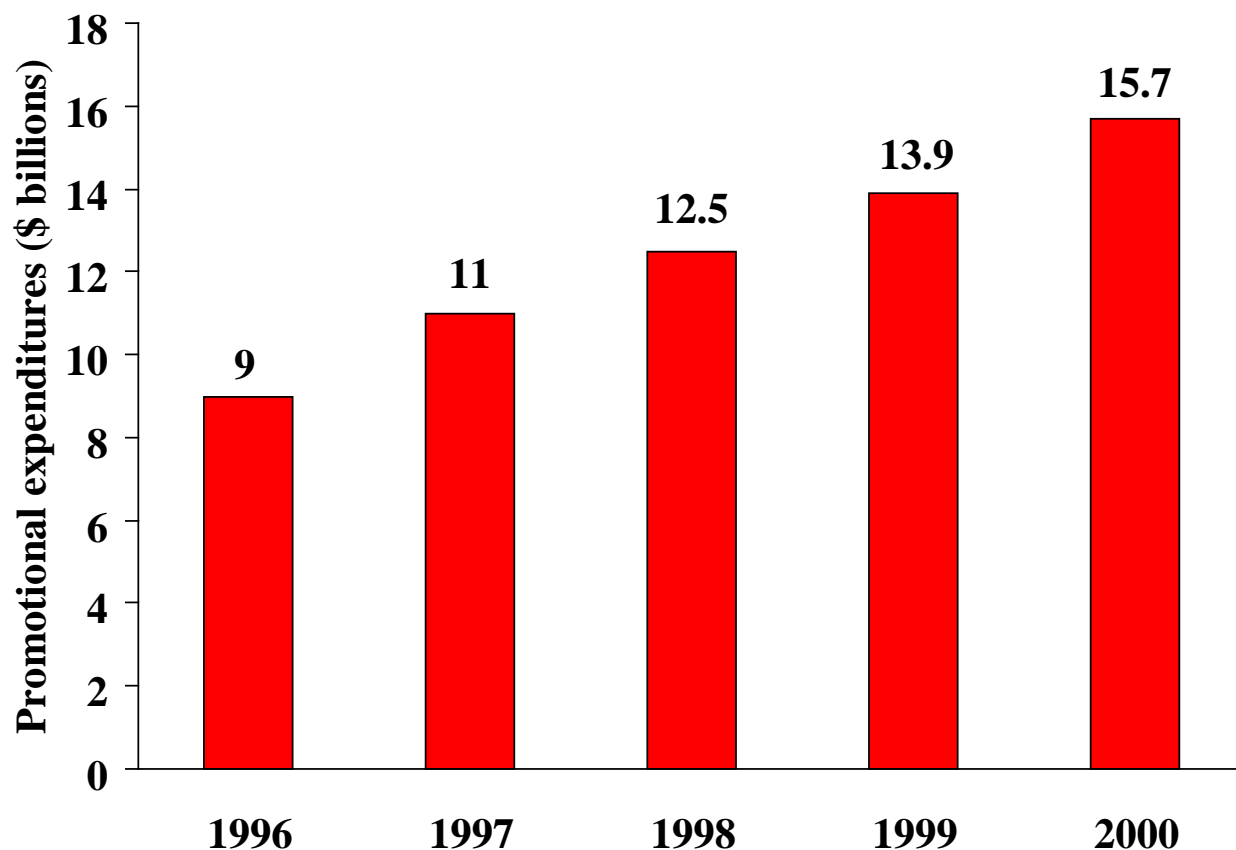




PHARMACEUTICAL INDUSTRY MARKETING AND PROFITS

Promotional spending on prescription drugs, 1996-2000

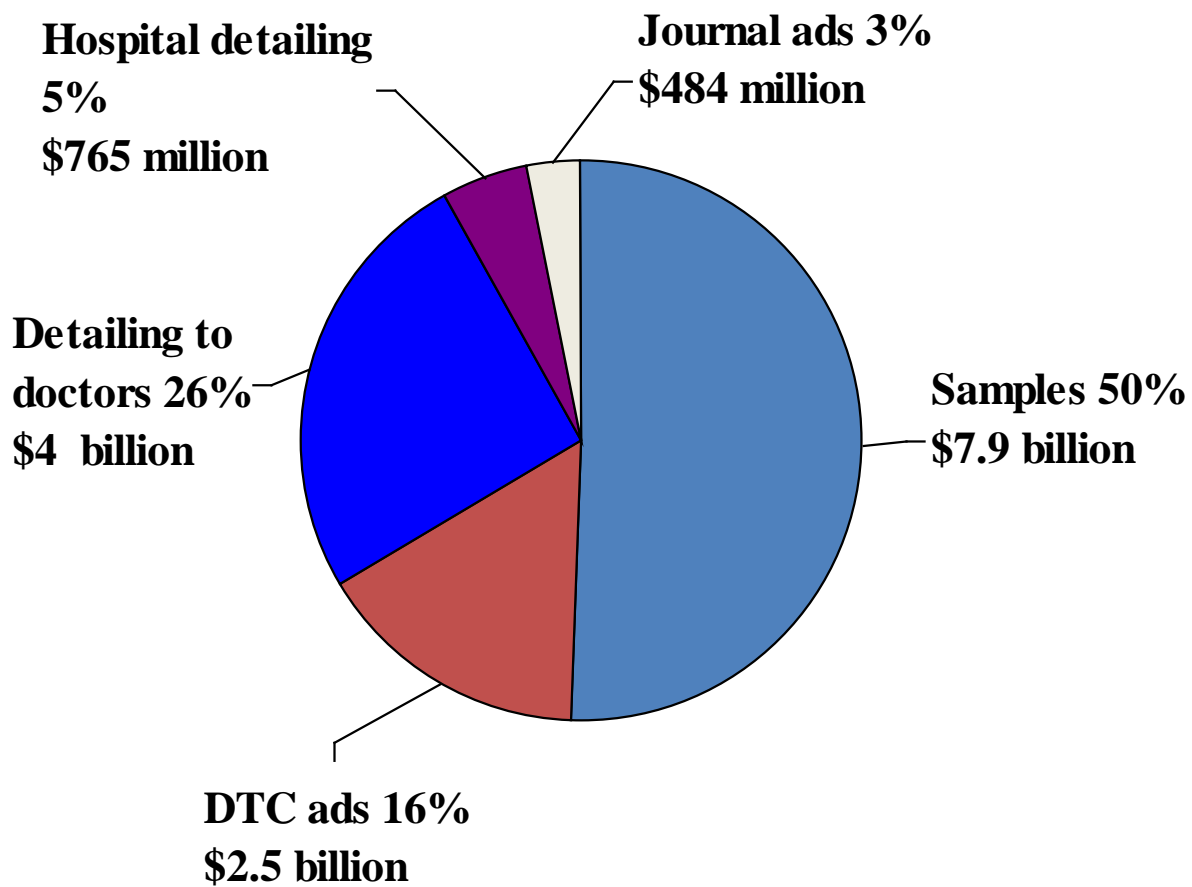
Source: NIHCM, 2001



Promotional spending on prescription drugs, 2000

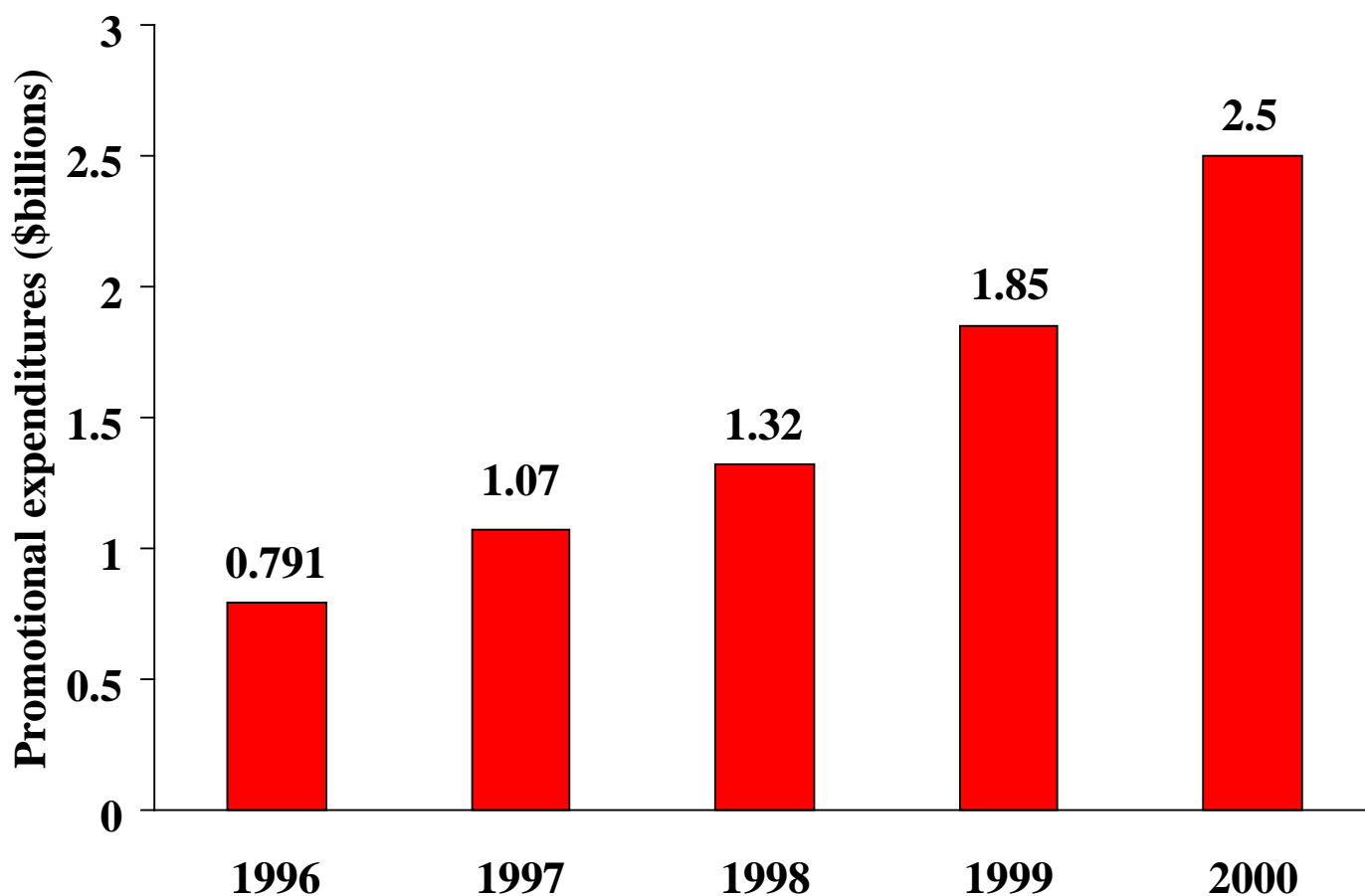
Total spending: \$15.7 billion

Source: IMS Health



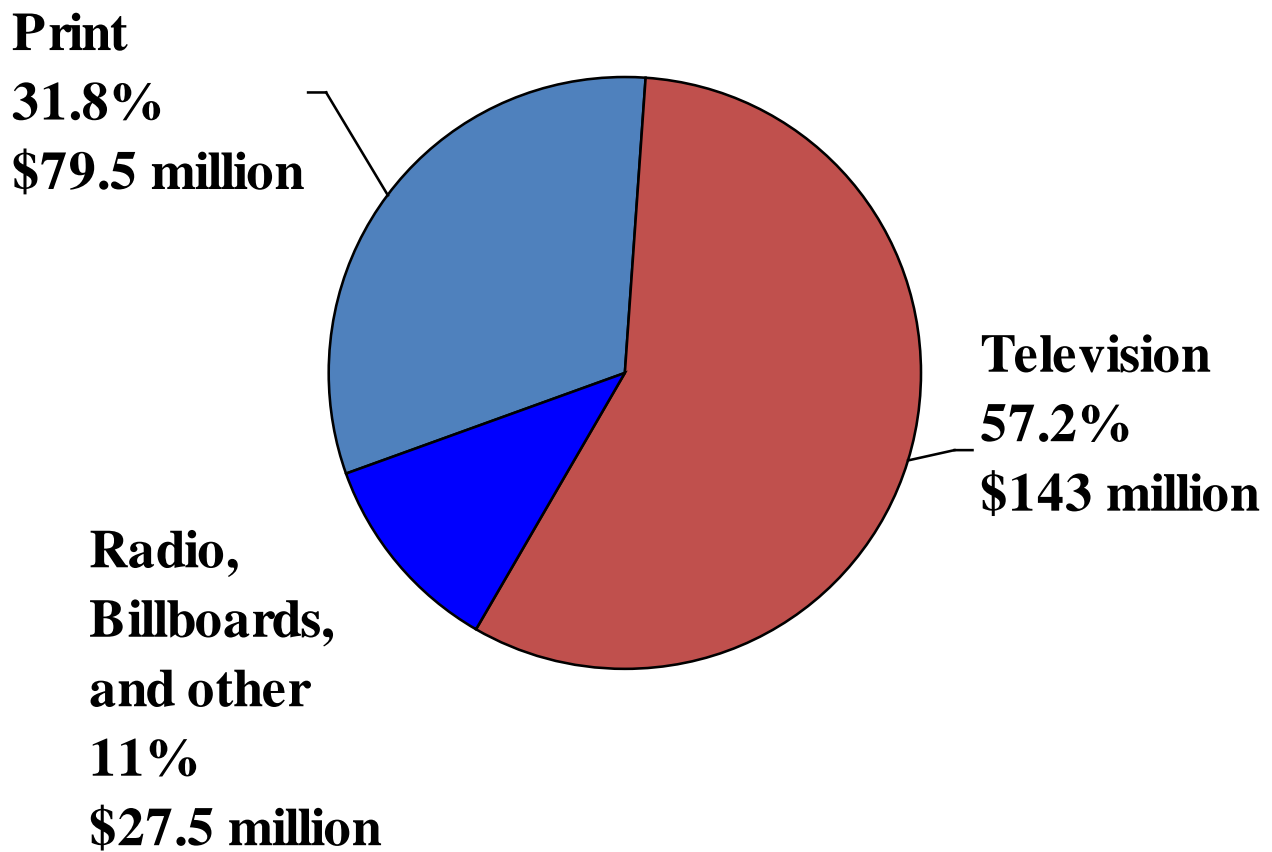
Direct to consumer advertising on prescription drugs, 1996-2000

Source: NIHCM, 2001



Spending on DTCA of prescription drugs, 2000

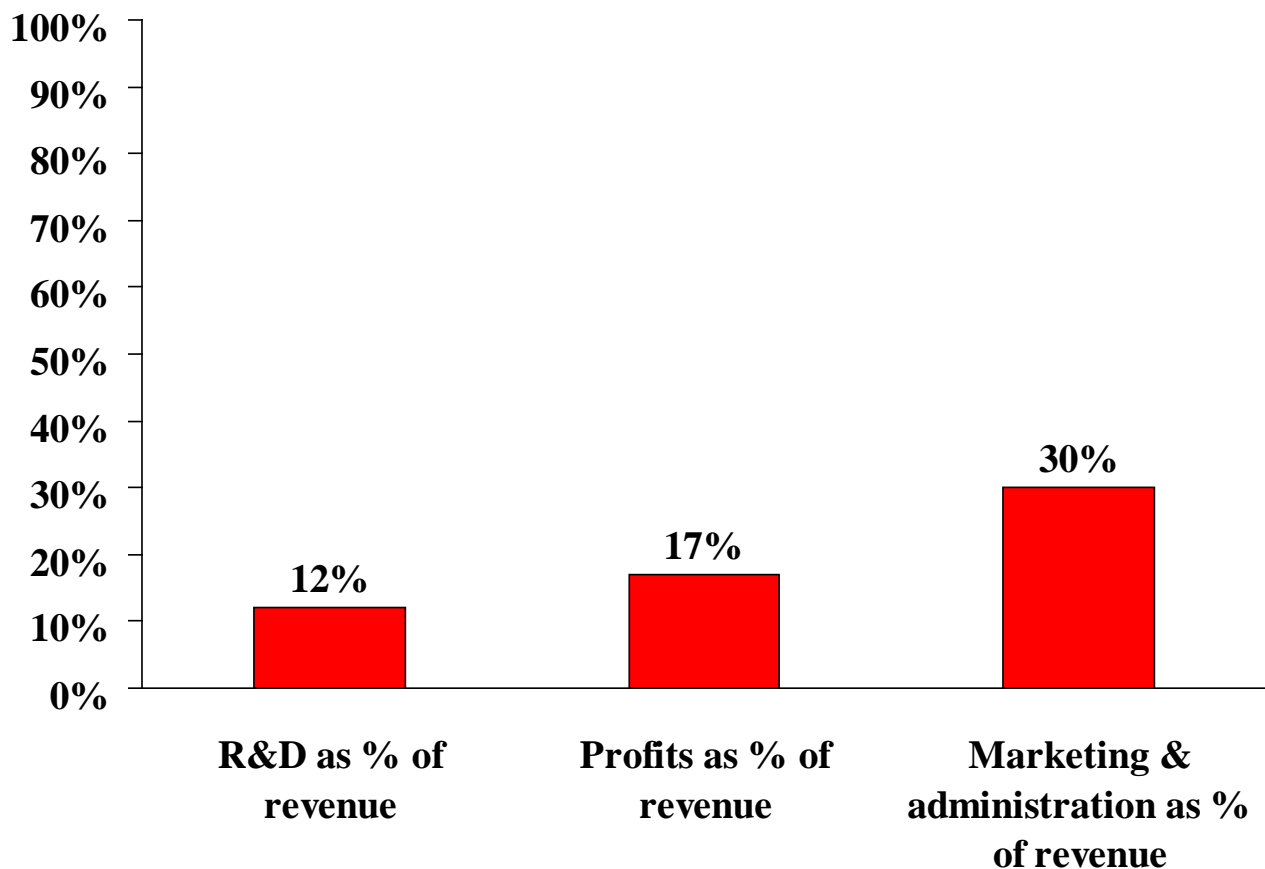
Source: IMS Health





Comparison of median revenue dedicated to R&D, profits, and marketing/administration, Fortune 500 drug companies, 2000 (n=11)

Source: Public Citizen, 2001



PAY, PROFITS, AND SPENDING BY DRUG COMPANIES

All of the 9 U.S. drug companies that market the top-selling 50 drugs for senior citizens spent more money on promotion and administration than on research and development in FY 2000.

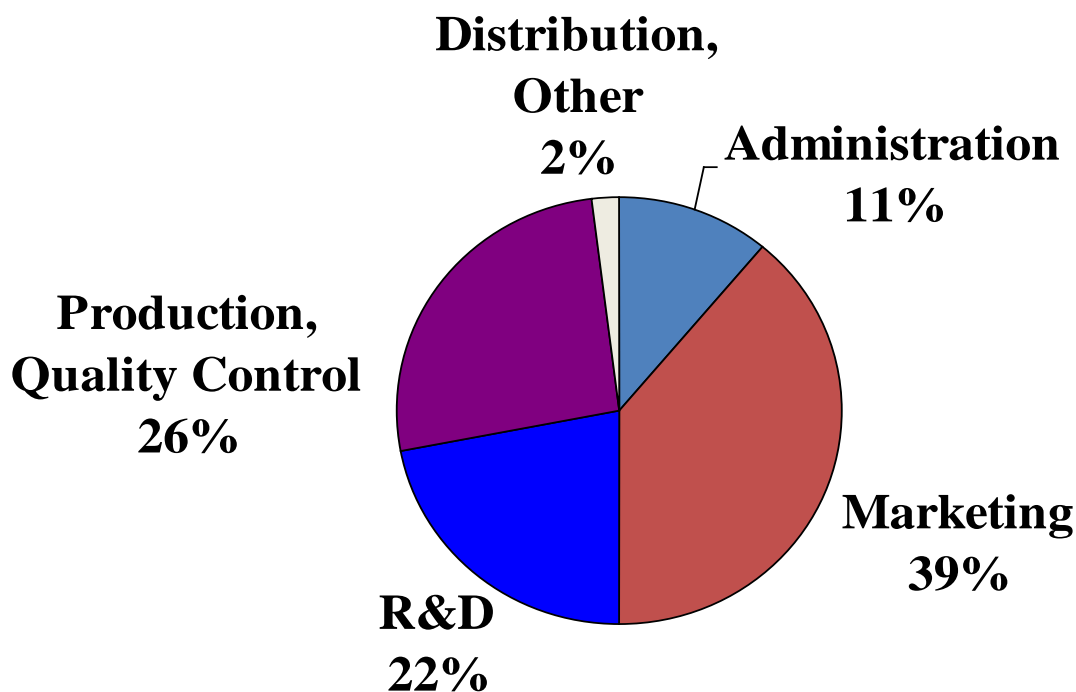
6 of these 9 companies made more money in net profits than they spent on R&D.

The highest-paid executive in each of the companies earned an average of almost \$19,000,000.

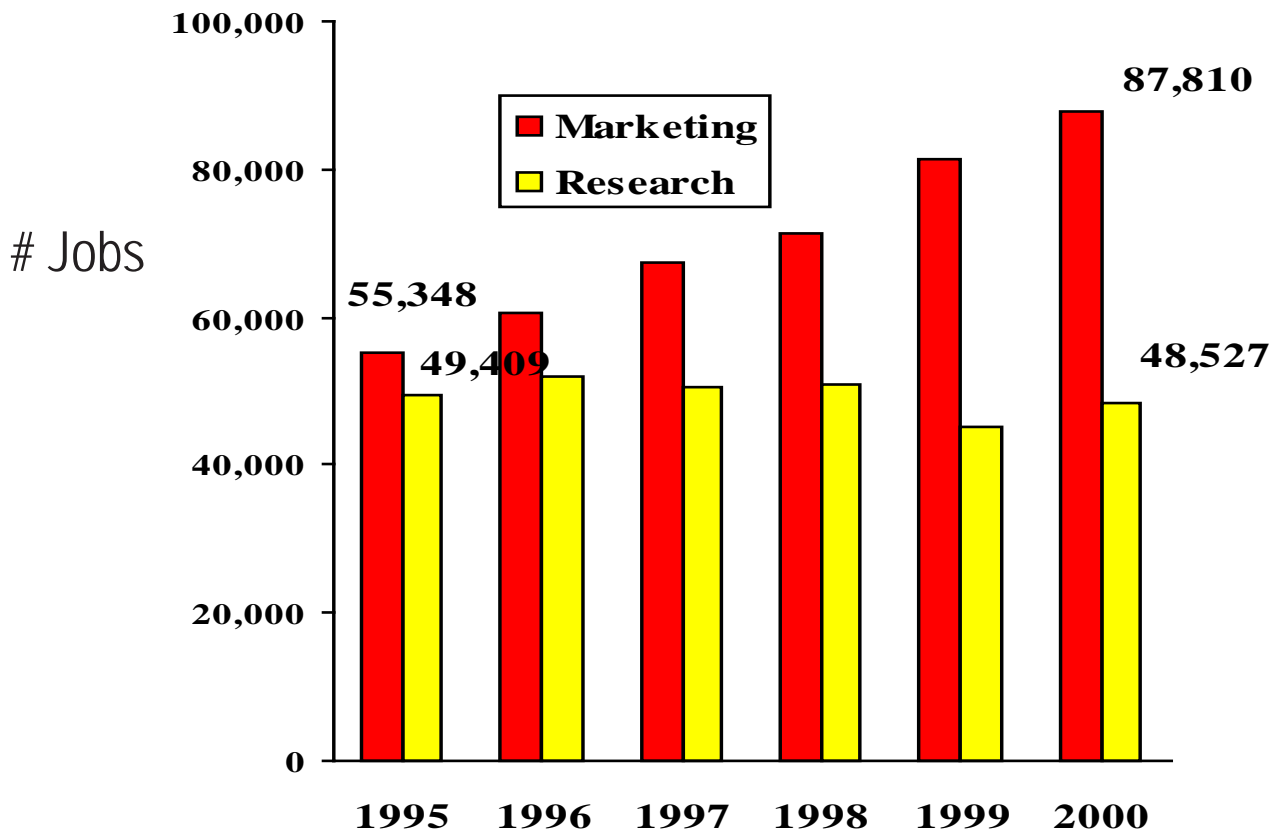
Families USA, 2001.

Main task of drug company employees, 2000

Source: PhRMA Industry Profile 2000; percentages calculated by Sager and Socolar

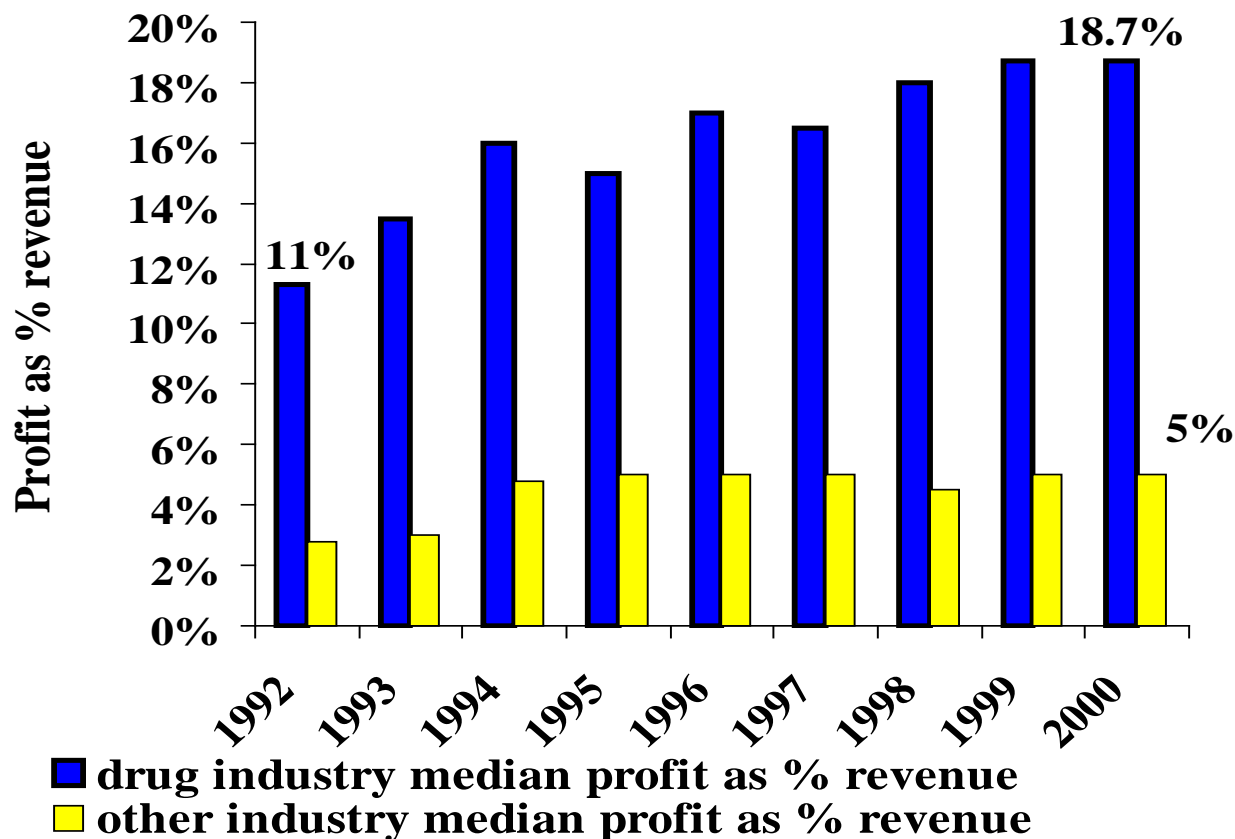


Drug company jobs in marketing and research, 1995-2000



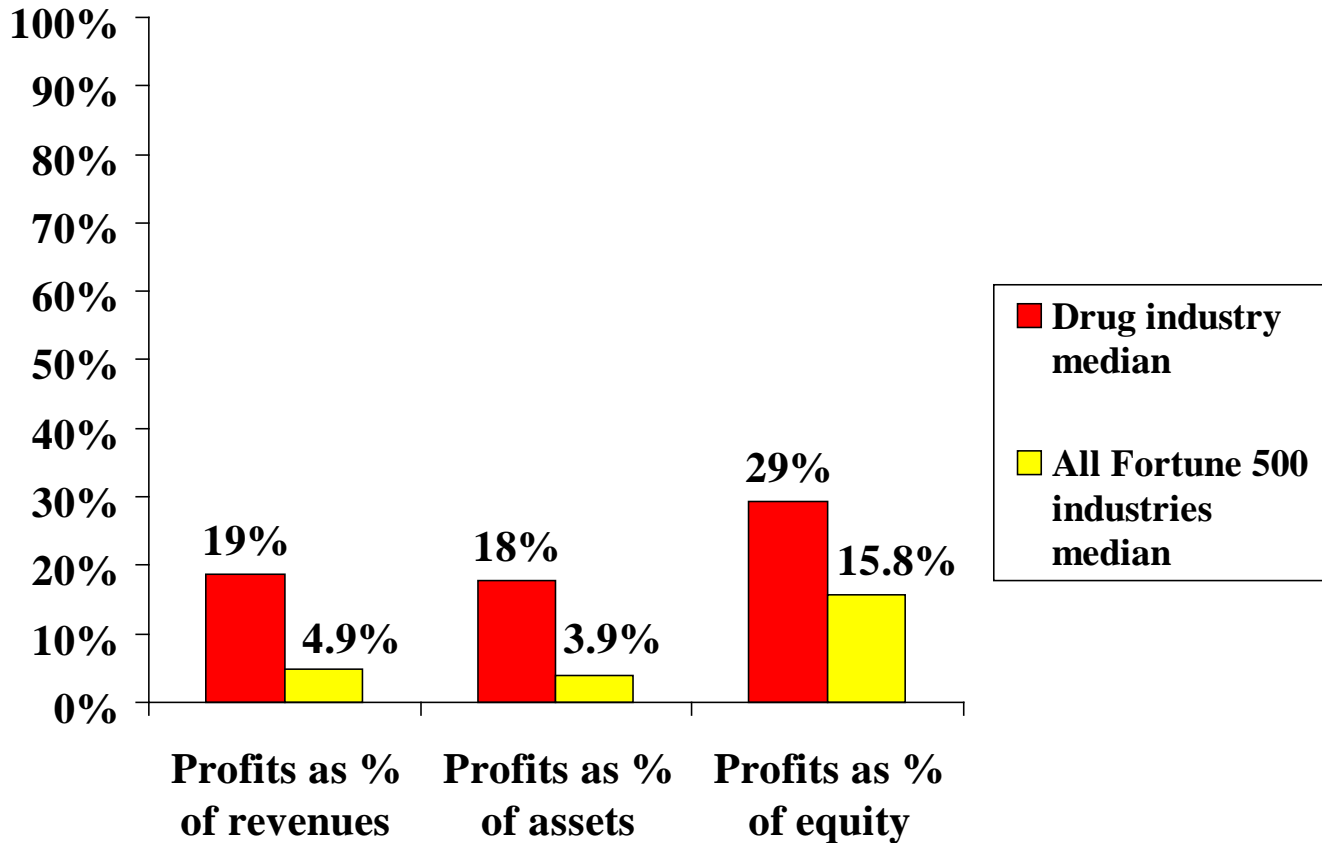
Source: PhRMA Industry Profile 2000; percentages calculated by Sager and Socolar

Profitability of drug industry, 1993-2000.



Source: Public Citizen update of Stephen W. Schondelmeyer calculation, Competition and Pricing Issues in the Pharmaceutical Market, PRIME Institute, University of Minnesota based on data found in Fortune magazine, 1958 to 1999; Fortune magazine, April 2000, Fortune 500 (www.fortune.com).

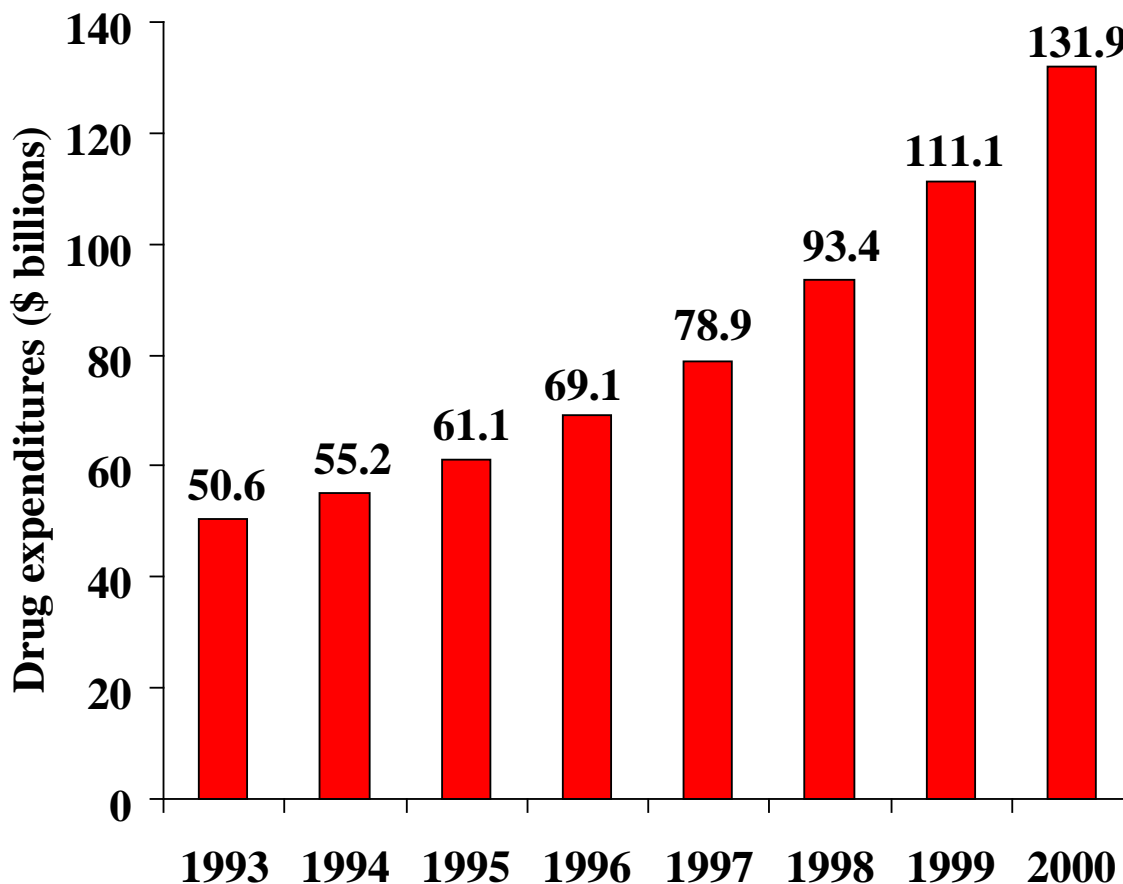
Fortune 500 drug company profitability compared to all other Fortune 500 companies, 2000



Source: Public Citizen, 2001



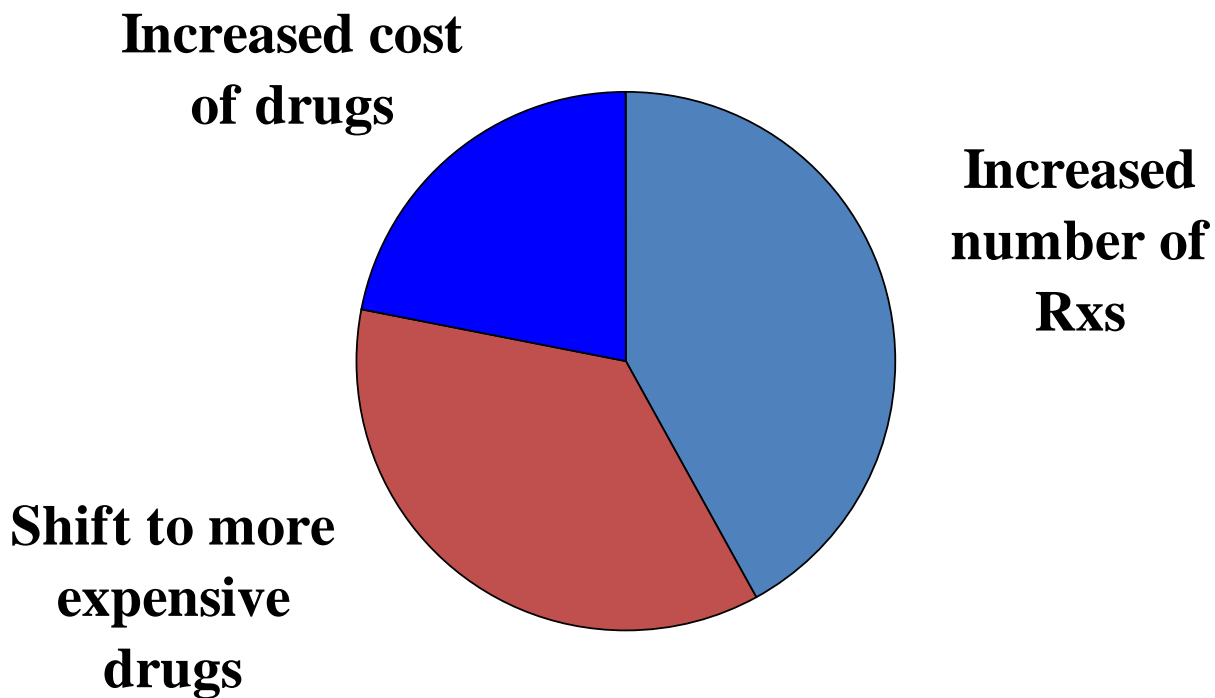
Prescription drug expenditures in the U.S, 1993-2000



Source: IMS Health

SOURCES OF INCREASED DRUG EXPENDITURES, 1999-2000

Total increase: \$20.8 billion



Source: NIHCM, 2001

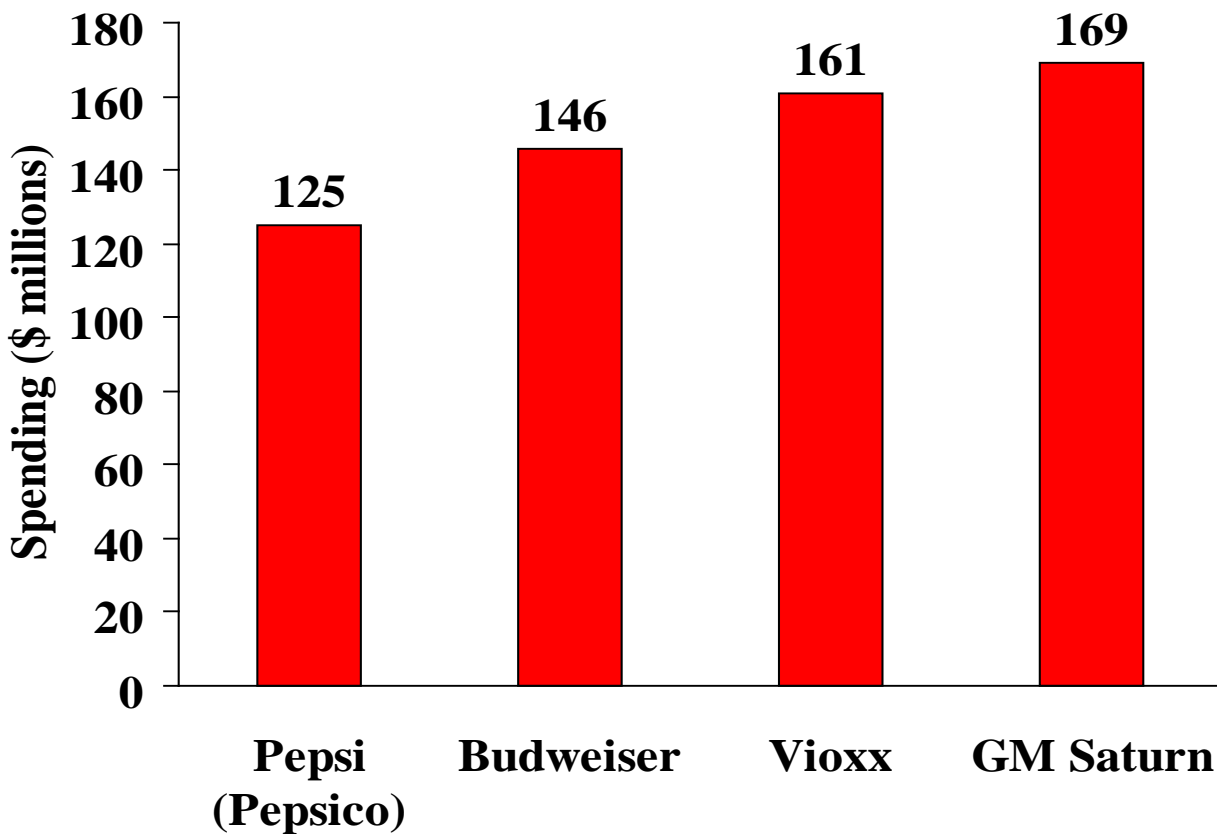
Direct to consumer advertising

\$2.5 billion dollars were spent on advertising to consumers in 2000; \$468 million dollars were spent on journal ads.

Increases in the sales of the 50 drugs most heavily advertised to consumers in 2000 were responsible for almost half (47.8%) of the \$20.8 billion increase in spending on drugs that year.

Over 40% of DTC spending was concentrated on ten products, among them Claritin, Prilosec, Viagra, Paxil, and Meridia. \$2.5 billion dollars were spent on advertising to consumers in 2000; \$468 million dollars were spent on journal ads.

Direct to consumer advertising spending in the U.S., 2000



Source: NIHCM, 2001

TOP 12 IN GLOBAL MARKET SHARE

Company	Global Market Share (%) 2000	Location of HQ
Pfizer	7%	US
GlaxoSmithKline	7%	UK
Merck	5%	US
AstraZeneca	5%	UK
Bristol-Myers Squibb	4%	US
Novartis	4%	CH
J&J	4%	US
Aventis	4%	FR
Pharmacia	3%	US
AHP	3%	US
Lilly	3%	US
Roche	3%	CH
Total top 12	52%	

SALES REPS AND PRESCRIBING PHYSICIANS

ACP-ASIM Position Paper on Physician-Industry Relations:

“Physicians frequently do not recognize that their decisions have been affected by commercial gifts and services and in fact deny industry’s influence.”

“Research, however, shows a strong correlation between receiving industry benefits and favoring their products.”

Physicians’ Behavior and their Interaction with Drug Companies

Physicians who request formulary changes are more likely to have accepted money from drug companies to attend or speak at symposia.

(OR=5.1, 95%CI, 2.0 - 13.2)

Physicians are more likely to request additions of drugs made by companies with whose reps they have met (OR=4.9, 95%CI, 3.2 - 7.4).

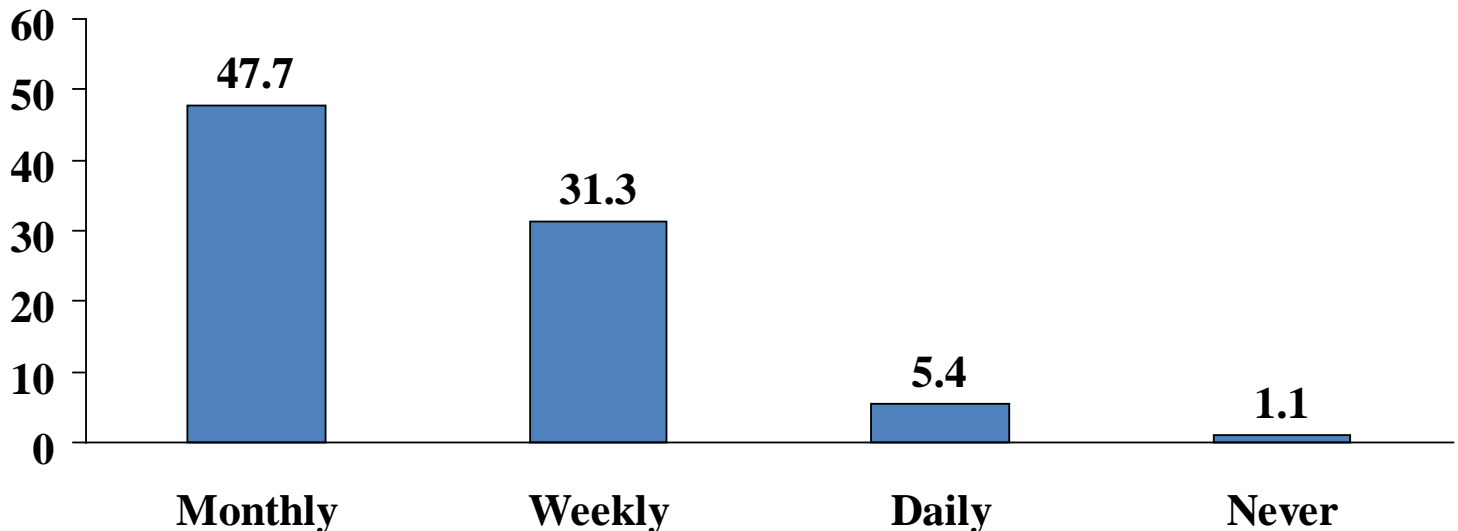


PHARMACEUTICAL SALES REPRESENTATIVES AND THE COST OF PRESCRIBING

- Questionnaire on attitudes toward and use of information provided by pharmaceutical representatives.
- Mailed to all primary care adult medicine practitioners in Kentucky (n=1603)
- Main Outcome Measure: Relative cost of prescribing, based on responses to treatment choices for clinical scenarios.
- 35% response; 446 questionnaires suitable for analysis.

Pharmaceutical sales representatives and the cost of prescribing

% of physicians that used information provided by reps in their clinical practice

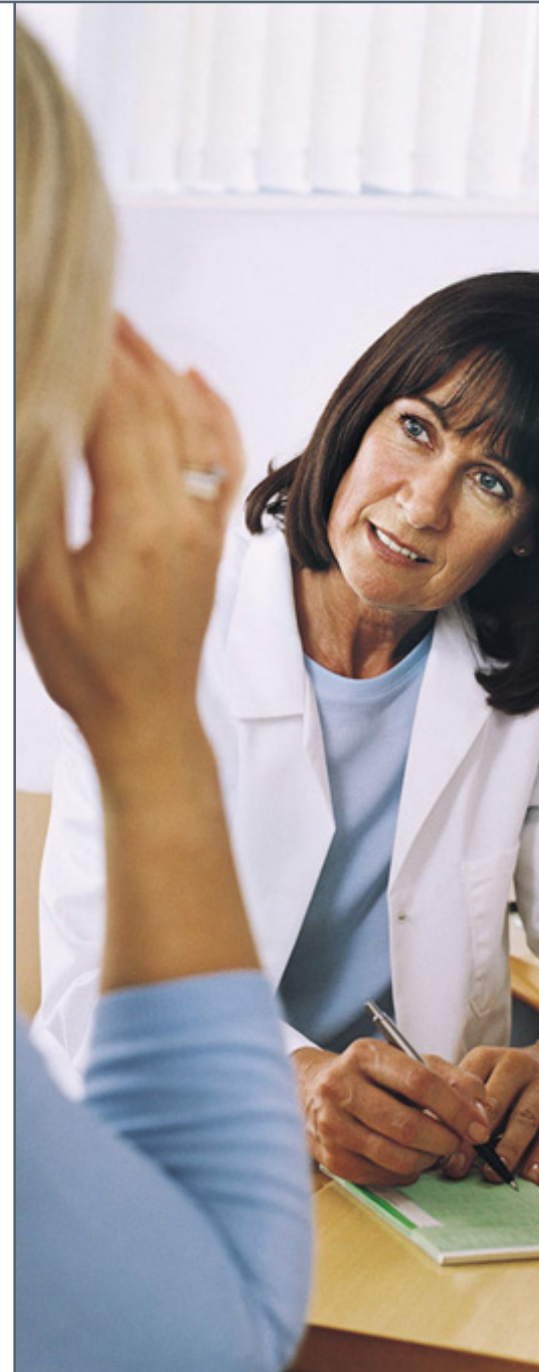


PHARMACEUTICAL SALES REPRESENTATIVES AND THE COST OF PRESCRIBING

- **Positive correlation between a physician's cost of prescribing and:**
 - perceived credibility of information provided by pharmaceutical reps ($p < .01$).
 - Frequency of use of reps as information source ($p < .001$).
- **The physician's age, years since graduation, and hours worked per week do not correlate with cost of prescribing.**

PERSONAL USE OF DRUG SAMPLES BY PHYSICIANS AND OFFICE STAFF

- Survey of Physicians and staff in a family practice residency about personal use of drug samples in the preceding 12 months. (12 faculty, 21 residents, 8 nurses, 9 office staff, 3 unknown)
- 53/55 responded.
- Total of 230 samples taken
- 158 for personal use, 78 for family use
- Only 2 respondents reported never taking samples in previous year
- Retail cost of samples taken: \$10,000.



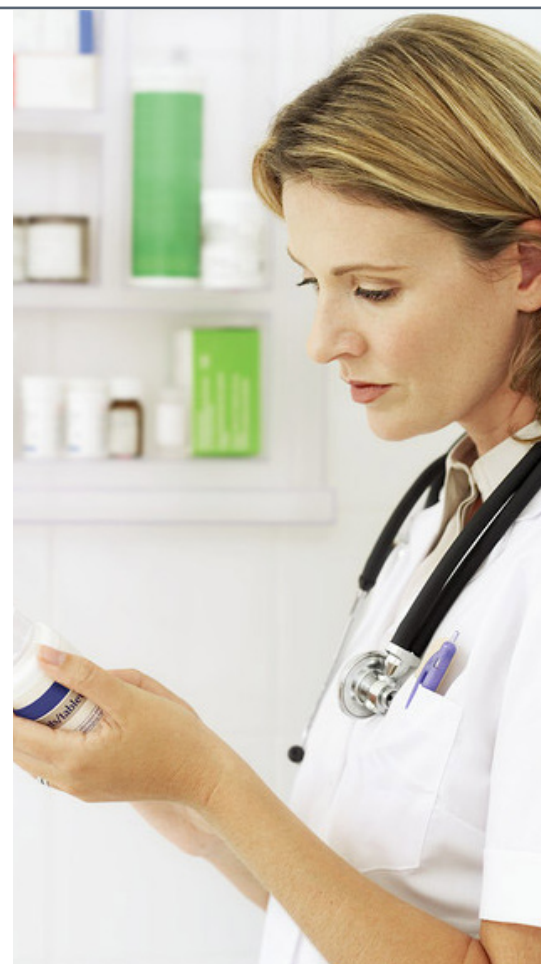
ACP-ASIM POSITION PAPER: PHYSICIAN-INDUSTRY RELATIONS

“Physicians must keep in mind that industry-supplied medical information, although neutrally packaged, is in fact promotional.”

Materials left at physicians’ offices by drug reps

Setting: Academic internal medicine residency program, an HMO, and a private internist’s office.

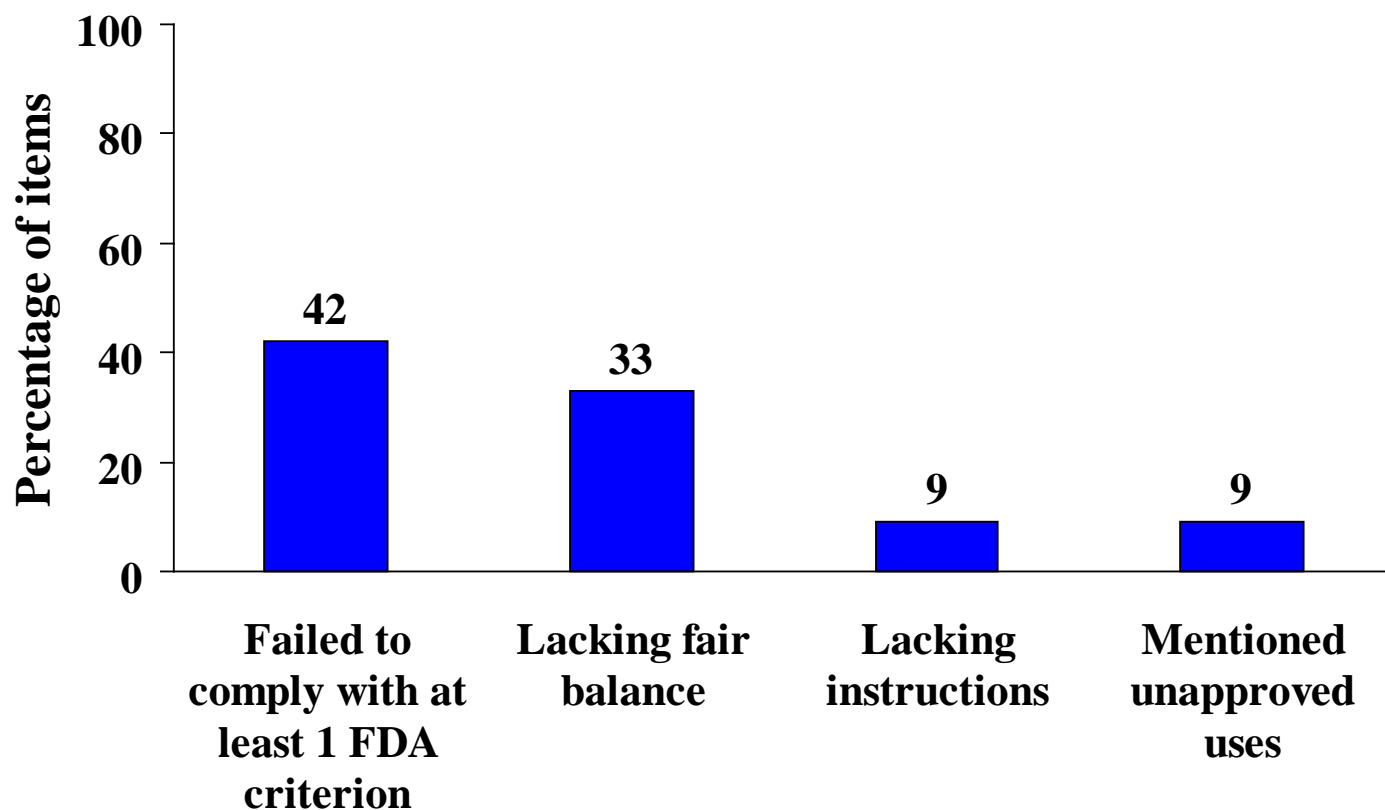
All materials left behind by drug reps or mailed to offices over a 7-month period. 482 items analyzed.



DETERMINED IF ITEMS MET FDA REQUIREMENTS FOR:

- **Fair balance**
- **Adequate instructions for use**
- **Discussion of approved uses only**

Characteristics of Materials Distributed by Drug Companies



THE ACCURACY OF DRUG INFORMATION FROM PHARMACEUTICAL SALES REPRESENTATIVES

Setting: Noon housestaff conferences at a large university-based internal medicine residency program.

Pharmacist sat in front row and tape-recorded comments made by drug reps prior to faculty lecture.

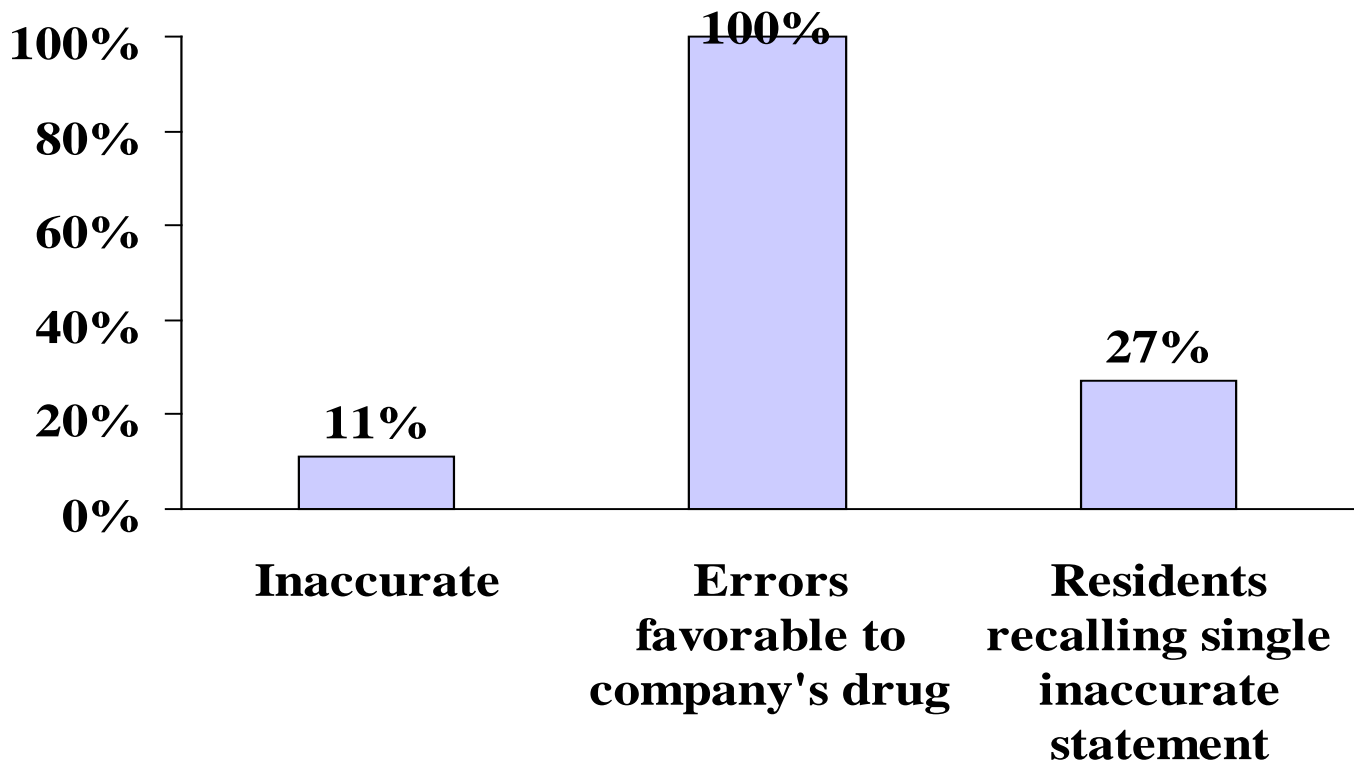
106 statements made by drug reps at 13 conferences were analyzed.

Statements classified as inaccurate based on predefined criteria.





THE ACCURACY OF DRUG INFORMATION FROM PHARMACEUTICAL SALES REPRESENTATIVES



Experts' assessments of pharmaceutical advertisements in leading medical journals

"Peer review" of ads from 10 journals

109 advertisements were analyzed by 113 experienced physician peer reviewers and 54 clinical pharmacists.

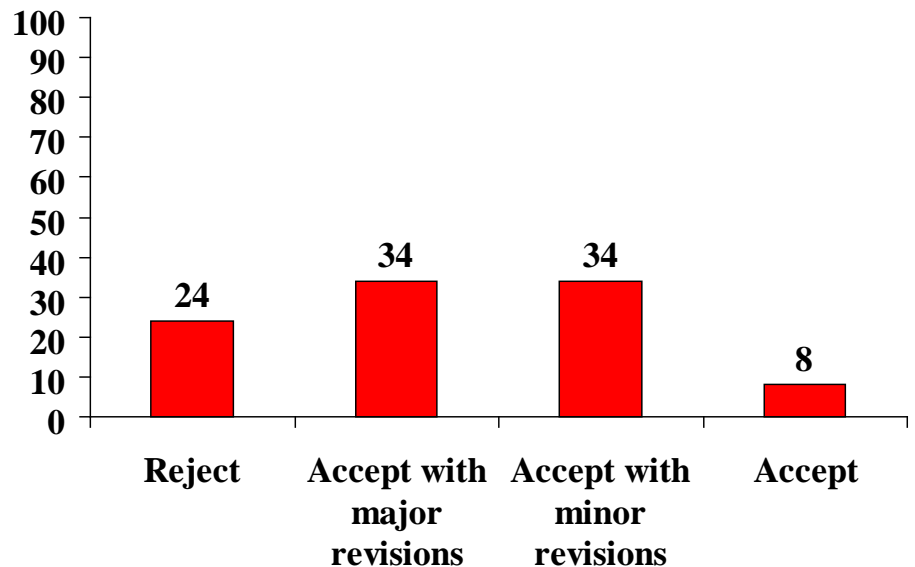
71% of reviewers had received money from the drug industry within the past 2 years; 53% had received more than \$5000.

Pharmaceutical Advertisements in Leading Medical Journals: Experts' Assessments

"If this advertisement were subject to the same review criteria as a scientific article, would you accept it in present form, accept with minor revisions, accept with major revisions, or reject it?"



Pharmaceutical Advertisements in Leading Medical Journals: Experts' Assessments

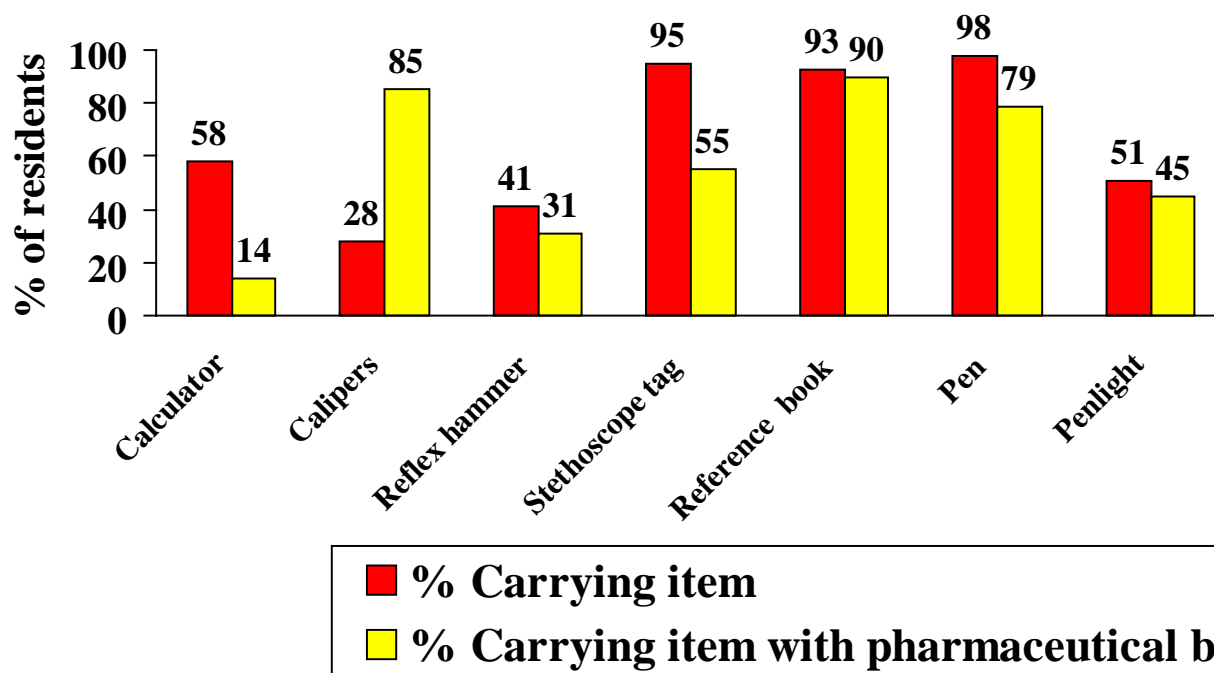


PHARMACEUTICAL BRANDING OF RESIDENT PHYSICIANS

- Survey of 181 primary care residents; 164 responded.
- First asked to complete survey, then asked to empty pockets of white coats.
- 98% had eaten drug company-sponsored meal within the past year
- 97% of residents were carrying at least one item with pharmaceutical insignia.

Pharmaceutical Branding of Resident Physicians

Frequency of items found in residents' white coats



The drug companies don't always follow their own code.

Current Invitations say:

“In accordance with the PhRMA Code on Interactions with Healthcare Professionals, attendance at this program is limited to Healthcare Professionals. Accordingly, attendance by guests or spouses is not appropriate and cannot be accommodated.”

But sometimes...

The sales representative, who delivers the printed invitation, and who will host the dinner, tells the doc:

“Officially guests aren't allowed, but if someone just happens to show up with you, we're not going to turn her away.”

Some don't bother with any pretense

Treating diabetes at the fish grotto, “You and a guest are invited to join Aventis Pharmaccuticals for an evening of fine dining and discussion on...”

All the free beer you can drink

“Seating is limited so call early!...You and a guest are invited...”
Aventis - Roland's has 500 different beers

Clones attack allergic rhinitis

Breakfast and a movie, Star Wars Episode 2.
“PLEASE... immediate family only.”
Aventis



Wall Street Journal, page one, December 4, 2002.

400 doctors attended a free filet mignon and red snapper dinner at the Marriott Marquis in Times Square. The dinner speaker discussed depression, including a new drug for it (Duloxetine) made by Eli Lilly & Co., the event's sponsor. The attendees received two hours CME credit in addition to free dinner and drinks.

HAM - N - SCRAM

"...get your Easter ham, turkey, or Omaha steaks to take home."

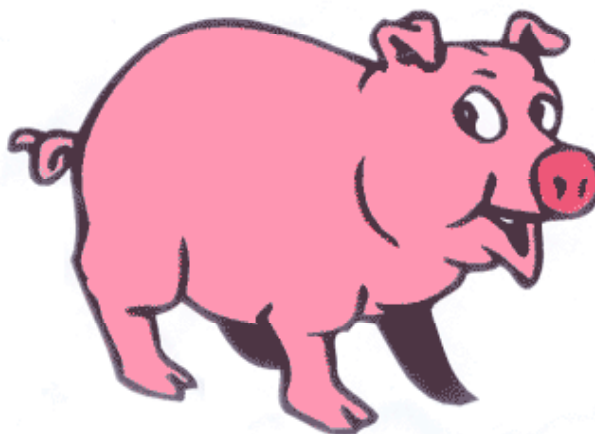
AstraZeneca

Some recent invitations say:
"A guest may accompany you if he/
she is a medical professional."

ASTRAZENECA'S RESPIRATORY TEAM

would like to invite you to the 1st Annual

HAM - N - SCRAM



at Heavenly Ham
212 Green Meadows (next to Johnny's Beanery)
April 20
5:00 - 7:30 PM

Come out and get your Easter ham, turkey, or Omaha steaks to take home.