

choice



PUSHING PILLS

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Executive summary

When correctly prescribed, pharmaceuticals provide enormous benefits to consumers. The pharmaceutical industry has provided valuable medicines to the world which have contributed to increasing life expectancy and improved health outcomes. However, used incorrectly or inappropriately, pharmaceuticals have the potential to cause significant harm.

As consumers, we want those entrusted with our health to prescribe medicines based on the best independent information available. Pharmaceutical marketing, like all marketing, is intended to increase the use of a particular medicine or promote its use over an alternative. This makes good business sense for pharmaceutical companies because it increases the bottom-line. However, the information they provide to consumers, doctors and others is not independent.

There is strong evidence to indicate that pharmaceutical promotion is not in the best interests of consumers. It can lead to inappropriate prescribing practices which expose consumers to unnecessary risk. It also may not be in the interests of taxpayers. Taxpayers fund much of the cost of prescription drugs through the Pharmaceutical Benefits Scheme (PBS). Unnecessary or inappropriate use of medicines, particularly the more costly brand name drugs, places pressure on this scheme.

In this report, CHOICE discusses briefly the various ways pharmaceuticals are promoted to doctors. We go on to examine advertising in doctors' publications over a 12-month period and look more closely at drugs used to treat high blood pressure.

The findings of our study demonstrate some of the biases in pharmaceutical advertising which make it a poor source of information for doctors. Promotion is focused on medicines which are newer and more expensive but not necessarily more effective. Medicines which are out of patent, regardless of their effectiveness, are generally not promoted. Some advertisements contain images which present an unrealistic impression of the effectiveness of the medicine. The argument that these images provide important information to doctors is dubious.

We want an increase in unbiased and independent information for doctors about available treatment options. Better information will lead to better prescribing practices. Consumers will not be exposed to unnecessary risk from the inappropriate use of drugs and savings could be made to the PBS.

The National Prescribing Service (NPS) currently provides some independent information to doctors, including a small program of educational visiting. A substantial expansion in the NPS's activities should be funded by government, offset by a one-off reduction in the prices paid to pharmaceutical companies through the PBS. Pharmaceutical companies should be expected to reduce their promotional activities as a result of the reduction in revenue.

1 The pharmaceutical industry and pharmaceutical marketing

1.1 The pharmaceutical industry

Pharmaceuticals are big business. In 2006, global sales of pharmaceuticals were US\$643 billion and had grown, on average, 8.5 per cent per annum since 2001.¹ Nearly half of sales are made by just the ten biggest pharmaceutical companies.² Pharmaceutical companies in Australia had turnover of \$17 billion in 2005-06, which includes about \$4 billion in exports.³

Developing new drugs and conducting the various clinical trials required before they can be brought to market is expensive. But once a medicine is on the market the ongoing manufacturing costs are relatively low.

In addition to manufacturing medicines and undertaking research and development (or buying the results of smaller companies' research and development), pharmaceutical companies spend large amounts of money on marketing. Little information is publicly available on the actual amount pharmaceutical companies spend marketing drugs, but some estimates suggest that it is more than they spend on research and development. The Commonwealth Government's Pharmaceutical Industry Action Agenda 2001 discussion paper assumed that 35 per cent of the price of a drug pays for marketing, twice what is spent on research and development.⁴ A more recent US study⁵ came to a similar conclusion, estimating that, in the US, pharmaceutical companies spend almost twice as much on promotion as they do on research and development.

There is a strong incentive for pharmaceutical companies to market their drugs aggressively. A company holds a patent over a medicine for up to 25 years⁶ before generic versions of the same drug can be manufactured by other producers and offered to consumers at a lower price. Like any business, pharmaceutical companies will want to generate the highest possible return from their product. During the patent period their ability to generate sales without price competition from generic versions is greatest, because they have a monopoly on manufacture and distribution. Marketing of pharmaceuticals to consumers and doctors is an important way in which companies stimulate demand and generate high turnover.

1.2 Why should we be concerned about pharmaceutical marketing?

In Australia, the Commonwealth Government subsidises the cost of many prescription medicines through the Pharmaceutical Benefits Scheme (PBS). The PBS ensures that Australian consumers have access to the drugs they need at an affordable price. Most PBS-listed medicines are currently available to consumers for a maximum co-payment of \$31.30 for general patients and \$5.00 for people with healthcare cards.⁷ Some medicines attract a price premium and may cost a little more. The consumer pays the co-payment amount to purchase a PBS-subsidised medicine and the government pays the rest of the price of the drug. The amount the government pays for an individual script ranges from nothing to many thousands of dollars.

1 IMS Health (2007), *Global Pharmaceutical Sales 1999-2006*, http://www.imshealth.com/ims/portal/front/articleC/0,2777,6025_80528184_80528202,00.html.

2 Consumers International (2006), *Branding the Cure*, London, p 12.

3 Department of Industry, Tourism and Resources (2007), *Pharmaceutical Industry Fact Sheet*, <http://www.industry.gov.au/content/itrinternet/cmscontent.cfm?objectId=2695A1C7-65BF-4956-BA0E19C37C0AA1AE&indexPages=/content/sitemap.cfm?objectId=48A469F0-20E0-68D8-ED0694DECE4B42A1>

4 Department of Industry, Tourism and Resources (2001), *Pharmaceutical Industry Action Agenda*, <http://www.industry.gov.au/assets/documents/itrinternet/PIAAdiscussionpapersep0120050525143934.pdf>, p 13.

5 Gagnon MA & Lexchin J (2008) The Cost of Pushing Pills: A New Estimate of Pharmaceutical Promotion Expenditures in the United States, *PLoS Med*, vol. 5, no. 1, p 4, viewed at <http://medicine.plosjournals.org/perlserv/?request=get-document&doi=10.1371/journal.pmed.0050001&ct=1>, accessed on 17 January 2008.

6 Sections 67 and 70, *Patents Act 1990*.

7 Department of Health and Ageing, *About the PBS Safety Net Thresholds*, <http://www.health.gov.au/internet/main/publishing.nsf/Content/health-pbs-safetynet-changes>

Similar pharmaceutical subsidy schemes operate in a number of member countries of the Organisation of Economic Cooperation and Development (OECD). In contrast, in the US there is no equivalent to the PBS and the prices of pharmaceuticals are determined by pharmaceutical companies. Prices in the US, on average, are a staggering 160% higher than in Australia.⁸

In 2006-07, the cost of the PBS to the Commonwealth Government was \$6.6 billion.⁹ The cost of the PBS has increased at an average of 10.4% per annum since 1997-98¹⁰ and is forecast to continue to grow rapidly.¹¹ The Government has sought to mitigate this cost by increasing patient co-payments.¹² While it has been argued that some level of co-payment is necessary as a disincentive for inappropriate use, there is evidence that some consumers in Australia have not filled a prescription due to cost.¹³

Inappropriate use of medicines increases the cost of the PBS, wastes taxpayers' money, and makes further rises in the co-payment more likely. As taxpayers and consumers, we have a strong interest in ensuring the PBS is subsidising only the appropriate use of medicines.

1.3 Pharmaceutical advertising to doctors

Doctors are the key targets of pharmaceutical marketing in Australia because direct to consumer advertising is prohibited and because doctors have the power to prescribe drugs.¹⁴ Medicines Australia, the peak body of the pharmaceutical industry in Australia, administers a Code of Conduct (the Code) on pharmaceutical promotion.¹⁵ The Code sets out rules on pharmaceutical promotion in all forms and establishes a Code of Conduct Committee which hears complaints about breaches of the Code.

CHOICE believes the Medicines Australia Code of Conduct is ineffective. Australia's top consumer protection agency shares our concerns. The Australian Competition and Consumer Commission recently approved the 15th version of the Code but Chairman Graeme Samuel said "it is unclear how effective [the Code] is in actually regulating drug companies' conduct."¹⁶ In particular, we believe it does not provide sufficient penalties to deter breaches. We have campaigned for many years to improve the Code. Change has been very slow.

Pharmaceutical companies market their products to doctors through sales representatives that regularly visit doctors to promote medicines, and by advertising in doctors' publications and within medical prescribing software. They also conduct educational seminars for medical professionals, often presented by a colleague. Concern has been expressed about the independence of these seminars and the information doctors receive.¹⁷

1.3.1 Drug representatives

Drug representatives are a highly effective way to promote medicines. They are in a good position to influence doctors directly and the means they use to do that have been well-documented.¹⁸ It is particularly difficult to regulate their activities. They must comply with the Medicines Australia Code of Conduct but exchanges between doctors and drug representatives are conducted behind closed doors. A 1995 study in the US found that 11 per cent of claims by pharmaceutical companies' representatives speaking at hospital meetings were inaccurate and that all those inaccurate statements presented the drug more favourably.¹⁹

8 Productivity Commission (2001), *International Pharmaceutical Price Differences*, AusInfo, Canberra, p 49.

9 Department of Health and Ageing, *2006-07 Annual Report*, AusInfo, Canberra, p 67.

10 Total PBS expenditure in 1997-98 was \$2,785 million (see Department of Health and Ageing Annual Report 1997-98).

11 Department of Treasury, *Intergenerational Report 2007*, p 49.

12 Department of Treasury, *Intergenerational Report 2007*, p 51.

13 Blendon RJ, Schoen C, DesRoches CM, Osborn R, Scoles KL & Zapert K (2002) 'Inequities in health care: a five-country survey', *Health Affairs*, Vol 21, No. 3, p 185.

14 Department of Industry, Tourism and Resources (2001), p 24.

15 When discussing the Code of Conduct in this report, version 15 will be referred to unless otherwise stipulated. Version 15 of the Code is available at <http://www.medicinesaustralia.com.au/>.

16 Australian Competition and Consumer Commission, *Tougher reporting under revised drug companies code*, media release, 26 July 2006.

17 Moynihan R, *Health seminars spruik drug firms*, The Australian, 22 February 2008.

18 See Fugh-Bergman A and Ahari S (2007) 'Following the Script: How Drug Reps Make Friends and Influence Doctors', *PLoS Medicine*, Vol. 4, No. 4.

19 Ziegler M, Lew P and Singer BC (1995) 'The Accuracy of Drug Information from Pharmaceutical Sales Representatives', *JAMA: The Journal of the American Medical Association*, vol. 273, no. 16, pp 1296-8.

Representatives provide information to doctors about drugs and could be seen as an important source of doctor education. However, a representative's motive is to increase sales for their employer. Much of their remuneration is based on large bonuses for exceeding sales targets.²⁰ This motive is in direct conflict with the need to provide accurate and unbiased information.

1.3.2 Medical prescribing software

A recent study found that 90 per cent of general practitioners surveyed now use prescribing software.²¹ In theory this may benefit consumers by allowing GPs to more readily identify interactions between medicines. There is no evidence to show whether this benefit has been realised or not. In Australia, the most commonly used prescribing software is Medical Director. It is cheaper than the alternatives because it is subsidised by paid advertisements which flash on the screen while the GP is navigating the system.

A recent analysis suggested that 95 per cent of advertisements in Medical Director appeared to be non-compliant with one or more provisions of the Medicines Australia Code of Conduct²². Another recent study has concluded that advertising in prescribing software has no overall influence on doctors prescribing habits.²³ It will be interesting to see if pharmaceutical companies withdraw from this form of advertising on the basis that it is ineffective.

1.3.3 Advertising in doctors' publications

Pharmaceutical companies also advertise drugs in publications which are targeted at prescribers, including GPs. CHOICE has undertaken analysis of this type of pharmaceutical promotion in this report.

20 Elliot C. (2006), 'The Drug Pushers', *The Atlantic Monthly*, April 2006.

21 McInnes DK, Saltman DC & Kidd, MR (2006) 'General practitioners' use of computers for prescribing and electronic health records: results from a national survey' *Medical Journal of Australia*, Vol. 185, No. 2, p. 89.

22 Harvey K, Vitry A, Roughead E, Aroni R, Ballenden N and Faggotter R (2005), 'Pharmaceutical advertisements in prescribing software: an analysis', *Medical Journal of Australia*, Vol. 183, No. 2, pp 75-79.

23 Henderson J, Miller G, Pan Y & Britt H (2008), 'The effect of advertising in clinical software on general practitioners' prescribing behaviour', *Medical Journal of Australia*, vol. 188, no. 1, pp 15-20.

2 Pharmaceutical advertising in publications for general practitioners

Australian Doctor and *Medical Observer* are newspapers which are sent free of charge to thousands of doctors each week. *Australian Doctor* is only sent to general practitioners and has a circulation of about 23,000.²⁴ *Medical Observer* is sent to about 20,000 GPs and about 3,000 cardiologists, dermatologists, endocrinologists, gastroenterologists and rheumatologists.²⁵

Professional newspapers such as *Australian Doctor* and *Medical Observer* have a very specific audience and a small readership, although within the target groups the readership is very high. These publications rely on advertisements to subsidise production costs. Such publications play an important role because they provide GPs with information about what is happening in their field — eg, a section in both newspapers features and reviews of a different medical condition each week.

2.1 Methodology

We examined advertisements in every second issue of each newspaper between 1 July 2005 and 30 June 2006 (a total of 24 issues of each²⁶). The survey was conducted over the course of a financial year to enable comparison of the number of advertisements with the level of prescribing for the drugs over the same period — PBS statistics are collated by financial year.

Information about the advertisements from the two publications was coded by CHOICE staff. A medical practitioner added information from MIMS Online about the drug class and indication for each drug advertised. This was verified by a second medical practitioner. A consultant was hired to analyse the data and tabulate the results. A draft report was prepared. The factual information was verified in accordance with standard CHOICE procedures.

2.2 Key findings

- Pharmaceutical advertisements took up a significant proportion of each issue of the magazine. On average, around 30 per cent of the space in each issue was drug advertisements.
- A case study on blood pressure drugs found that almost all the advertisements for blood pressure drugs were for products which were still under patent. Drugs which were off-patent, and therefore less-profitable for large pharmaceutical companies, were almost never advertised despite their ongoing efficacy.
- Advertisements regularly included images, such as healthy and active-looking people or cartoon characters, which are arguably designed to establish an emotive connection with the reader. They often presented images which did not realistically depict the effectiveness of the medicine.

²⁴ Information provided by *Australian Doctor*, 4 December 2007.

²⁵ Information provided by *Medical Observer*, 4 December 2007.

²⁶ Both newspapers are published 48 times per year.

2.3 Total advertisement space per publication

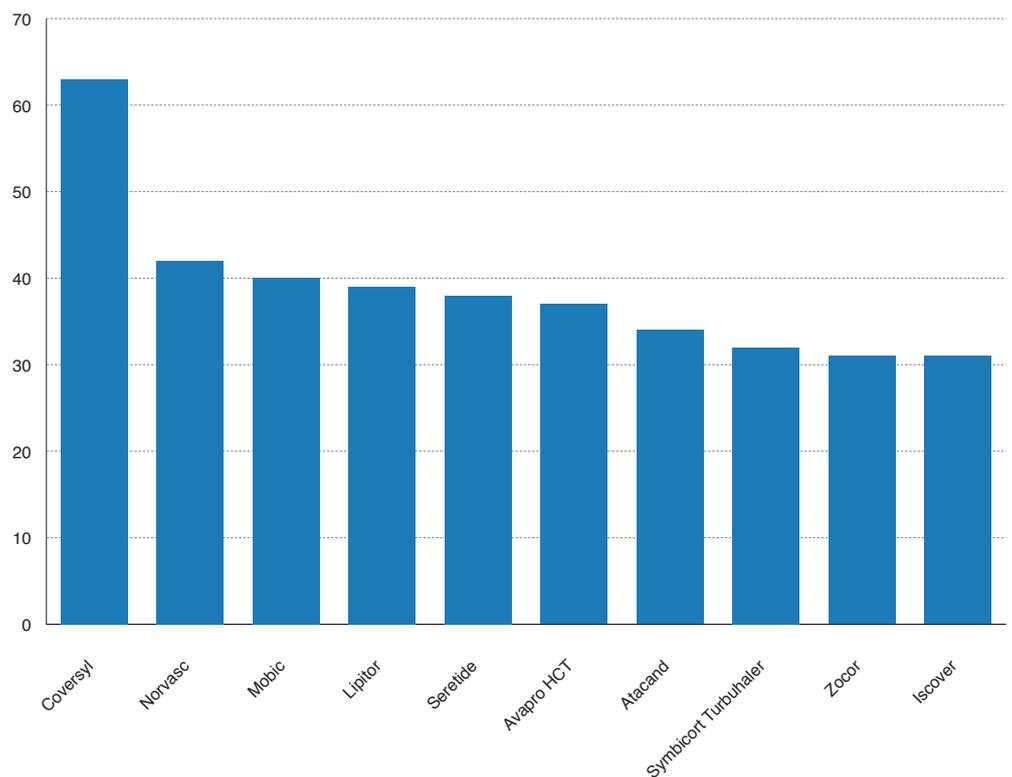
In the sample we examined, there were 1215 advertisements in total. *Australian Doctor* had 595 advertisements during the study period, with an average of nearly 25 advertisements per issue. *Medical Observer* had 620 advertisements with an average of nearly 26 advertisements per issue.

During the study period, *Australian Doctor* displayed 458 pages of advertisements with an average of 19 pages of advertisements per issue. *Medical Observer* displayed 430 pages of advertisements, with nearly 18 pages of advertisements per issue. The average issue of *Australian Doctor* or *Medical Observer* has roughly 60 pages.²⁷ Therefore, around 30 per cent of each issue is advertisements.

2.4 The most frequently advertised drug

In our sample, 140 brand names were advertised. The most frequently advertised drug in both publications was Coversyl, appearing 63 times — more than once per issue. It is used to treat high blood pressure (also called hypertension). The second most advertised drug was Norvasc (also for high blood pressure), with 42 advertisements, and the third most advertised was Mobic (a drug for arthritis) with 40 advertisements. The top ten most advertised drugs in 2005-06 are shown in Chart 1.

Chart 1: Top ten most advertised drugs 2005-06 by number of advertisements

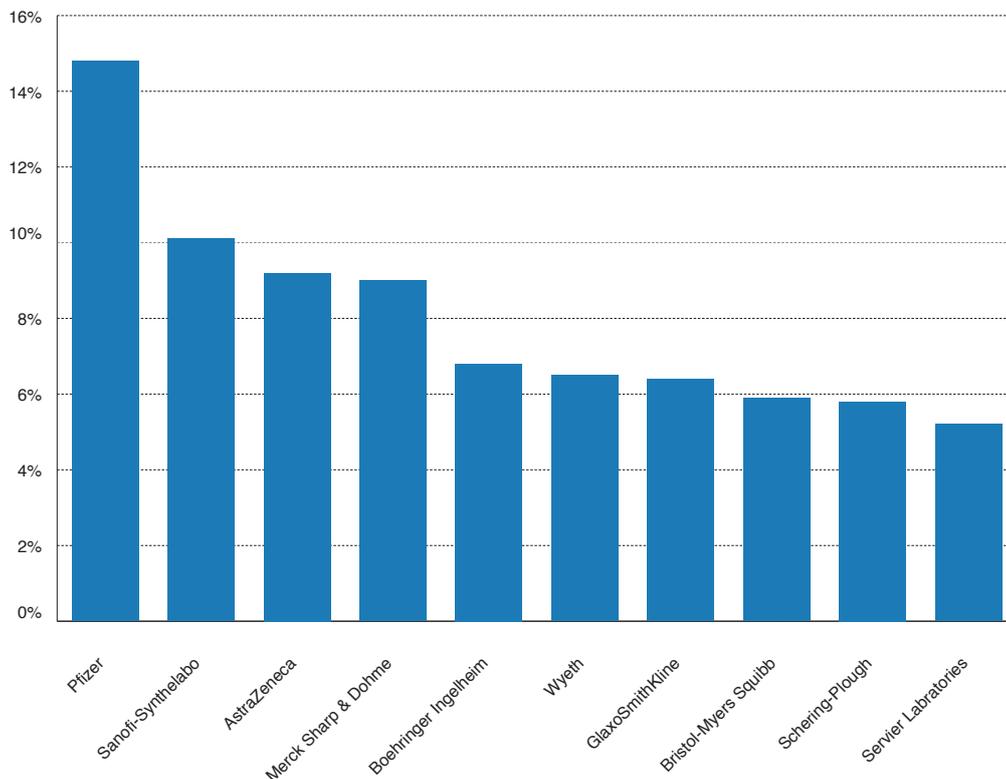


²⁷ This is derived from a few issues of each magazine chosen at random.

2.5 The most frequently advertised pharmaceutical company

There are 120 pharmaceutical companies operating in Australia, both foreign and locally owned²⁸. We found 58 companies that advertised products in the two publications we examined. Chart 2 shows the top ten advertisers during the study period by percentage of total advertisements.

Chart 2: Top ten advertisers by percentage of total advertisements



In 2006, the top five pharmaceutical companies by sales in Australia were Pfizer, Sanofi-Aventis²⁹, AstraZeneca, GlaxoSmithKline and Merck Sharp & Dohme.³⁰ Over the study period, four of these companies also make up the top four advertisers.

It is not surprising that the pharmaceutical companies with the highest sales placed the most advertisements. They are likely to have bigger marketing budgets. However, this does not necessarily mean they have the most effective drugs. This provides some evidence that the level of advertising in doctors' publications reflects the marketing budgets of pharmaceutical companies rather than the best available information on treating specific conditions. The case study on high blood pressure drugs that follows supports this theory.

28 Austrade, Health Biotechnology and Wellbeing: Information for overseas customers, <http://www.austradehealth.gov.au/For-overseas-customers-health/default.aspx> accessed on 11 February 2008.

29 We treated Sanofi-Synthelabo and Aventis as two separate companies in our research because the advertisements named either Sanofi (often with Synthelabo) or Aventis. If the advertisements from Sanofi and Aventis are included together they account for 14.1% of the total advertisements, coming in second after Pfizer.

30 Medicines Australia, Australian Pharmaceutical Industry- Facts at a Glance. <http://www.medicinesaustralia.com.au/pages/images/Australian%20Pharmaceutical%20Industry%20-%20Facts%20at%20a%20glance%20-%20Industry.pdf>. Accessed 07/06/07

2.6 What did the ads feature?

CHOICE examined what the advertisements featured, to explore whether they attempted to establish an emotive connection with the person viewing the advertisement. The advertisements were classified as featuring:

- a person;
- a cartoon character;
- an organ;
- the actual product (for example pills); or
- ‘other’ which included graphs, tables, scenery or anything else which did not fit into the above categories.

Table 1: Features of the advertisements 2005-06

Image ³¹	% of total advertisements
Person	55.2%
Other	35.2%
Cartoon character	17.2%
The product	16.6%
Organ	12.2%

Over half of the advertisements featured at least one person. We believe that images of people in pharmaceutical advertisements, as in other industries, are designed to create an emotive connection with the viewer.

CHOICE examined the type of images of people that were depicted in the advertisements. We found that if an advertisement featured a person, it was likely to feature (in 60 per cent of cases) a body shot including the face. In particular, older people were often depicted as healthy and vital looking. The advertisements imply that consumers can look that healthy if they consume that particular medication. Advertising to doctors should be about providing information. It is not clear why images of people are necessary, particularly where those images do not provide information about the effectiveness of the drug.

Several of the advertisements for erectile dysfunction provided good examples of potentially emotive images. In one, an older male caught the attention of a young female traffic controller as he crossed the street. In another, an older man had a line of 50 women waiting for him on the dance floor. It is not accurate to imply that a drug for treating sexual dysfunction will make (older) men attractive to (younger) women. While this can be dismissed as marketing puffery, it is not clear how these types of images would assist doctors to make decisions about prescribing these drugs.

The advertisements for Mobic provided another example. Mobic was the third most-advertised drug overall in our sample and was the most-prescribed drug for arthritis during the study period. The headline in the advertisement is “Another moving experience from Mobic” and the image is a healthy-looking middle-aged woman riding a bicycle being pushed by a middle-aged man. The message is that Mobic is very effective for enabling patients with arthritis to become more mobile. In fact, Mobic and other drugs are equally effective. But rarely would any of them be effective enough to enable someone with arthritis to ride or push a bicycle without pain. This type of image is potentially misleading. Again, it is not clear how it assists doctors to make decisions about prescribing Mobic.

³¹ Some advertisements included a combination of features.

3 Case study: high blood pressure drugs

The two most highly advertised drugs in our sample, Coversyl and Norvasc, are both used to treat high blood pressure. In addition, nine other high blood pressure drugs were advertised. In total 259 advertisements we viewed were for high blood pressure drugs — 21.7 per cent of the sample.

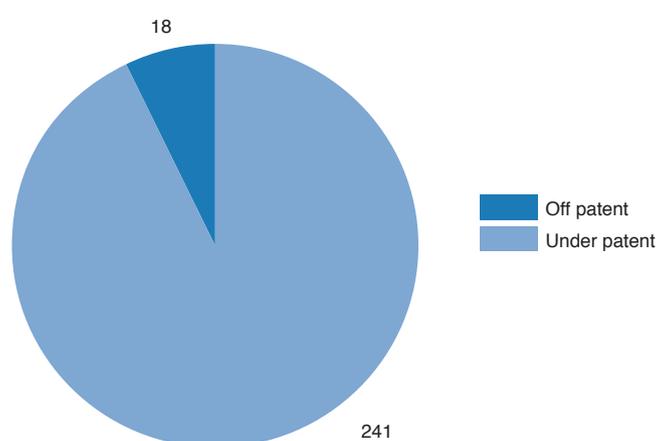
High blood pressure drugs are one of the most-prescribed drugs listed on the PBS. In 2005-06, well over 25 million prescriptions for high blood pressure drugs were subsidised under the PBS.³² This is not surprising as high blood pressure affects a large number of Australians. There are a range of lifestyle changes which people can make to try to reduce their blood pressure. However, if this doesn't work, they want to feel confident that their doctor is prescribing the best drug for them given their circumstances, not necessarily one which was heavily promoted to them.

From our sample, it is not possible to make conclusions about the relationship between advertising in GP newspapers and prescribing for high blood pressure drugs because we have not controlled for doctors' exposure to the many other forms of marketing which may affect their prescribing habits. However, it is clear that as a group of drugs they are heavily advertised and heavily prescribed.

3.1 Patent status and advertising of high blood pressure drugs

We also examined the status of the patent on all the drugs advertised and those which featured in the top 100 PBS drugs by volume in 2005-06. This gave us a total of 21 drugs. The following chart shows the number of advertisements by patent status of the advertised product.³³

Chart 3: Number of advertisements by patent status of product 2005-06



In our sample, 93 per cent of the advertisements for high blood pressure drugs were for products that were still under patent. Nine of the 11 drugs under patent were advertised. Only two of the 10 off-patent drugs were advertised.

Pharmaceutical companies predominantly advertise drugs which they have an exclusive right to manufacture. Due to the absence of competition they are more profitable. They can be sure their advertising won't lead to sales for another company. Importantly, these drugs are not necessarily more effective than older, off-patent products and are normally more expensive to the consumer and/or the PBS.

³² Department of Health and Ageing (2006), *Expenditure and prescriptions twelve months to 30 June 2006*, pp. 23-4, <http://www.health.gov.au/internet/wcms/publishing.nsf/Content/Pharmaceutical+Benefits+Scheme+%28PBS%29-3>, accessed on 17 December 2007.

³³ This reflects patent status in 2005-06. Some of the drugs have come off patent since then.

3.2 The clinical evidence

There are five main classes of drugs used to treat high blood pressure. They are known as angiotensin-converting enzyme inhibitors (ACEIs), angiotensin II receptor blockers (ARBs), calcium channel blockers (CCBs), beta blockers (β -blockers) and diuretics. Diuretics are often used in combination with one of the other classes of drugs.³⁴

Therapeutic Guidelines (Australia), an independent organisation which derives guidelines for therapy from the latest world literature, does not recommend ACEIs, ARBs, CCBs or β -blockers as the most effective drugs for treating high blood pressure. It recommends: *'[i]n general, low-dose thiazides or thiazide-like diuretics should be considered first line for the majority of uncomplicated patients.'*³⁵

Therapeutic Guidelines' recommendation is supported by the Antihypertensive and Lipid-Lowering Treatment to Prevent Heart Attack Trial (ALLHAT)³⁶ — one of the most comprehensive studies of blood pressure management and treatment. This study was limited to people aged 55 and over. It provides good evidence for that group. We lack a similar big study which would provide conclusive data on the best treatments for high blood pressure in people aged under 55.

The ALLHAT study found that a thiazide-like drug, chlorthalidone, was slightly superior to all other drugs³⁷. In particular, chlorthalidone was more effective at delaying strokes than other blood pressure drugs. Chlorthalidone is off-patent and there were no advertisements for chlorthalidone in our sample. In 2005-06, only 35,000 subscriptions for chlorthalidone were subsidised by the PBS,³⁸ compared with 2.8 million for Coversyl.³⁹

Since chlorthalidone is also much cheaper than most other blood pressure drugs we would expect it to outsell (by volume) other more expensive and (on average) less effective medicines. Chlorthalidone can cost up to \$17 but CHOICE found it available online for as little as \$6.50.⁴⁰ In contrast, many of the drugs examined here cost around \$30. Non-concessional patients pay the full cost, with no cost to the PBS because the maximum price is below the co-payment. However, concessional patients will pay \$5 with the PBS paying the difference.

If doctors prescribed chlorthalidone more often, patients are likely to benefit and there could be significant savings for consumers and the PBS. This would be likely to happen if doctors receive more information which is consistent with the best evidence rather than information which is intended to increase the sale of drugs.

3.3 Case study results

- Advertisements for 11 high blood pressure drugs were in our sample.
- Only two off-patent high blood pressure drugs were advertised.
- An off patent drug, chlorthalidone, is in fact the preferred treatment for many with high blood pressure and could be cheaper for consumers and the PBS.
- Chlorthalidone was not advertised in our sample and is rarely prescribed in Australia.

34 Merck, The Merck Manual: High blood pressure, http://www.mercksource.com/pp/us/cns/cns_merckmanual_frameset.jsp accessed on 12 February 2008.

35 Therapeutic Guidelines (Australia), *Hypertension*, p 68.

36 <http://allhat.sph.uth.tmc.edu/Public/StudyResults.aspx?SubSite=Pub> accessed on 7 January 2008.

37 <http://allhat.sph.uth.tmc.edu/Public/StudyResults.aspx?SubSite=Pub> accessed on 7 January 2008.

38 Medicare Australia statistics, <http://www.medicareaustralia.gov.au/provider/pbs/stats.shtml> accessed on 7 January 2008.

39 Department of Health and Ageing (2006), *Expenditure and prescriptions twelve months to 30 June 2006*, pp. 23 4, <http://www.health.gov.au/internet/wcms/publishing.nsf/Content/Pharmaceutical+Benefits+Scheme+%28PBS%29-3> accessed on 17 December 2007.

40 Private price available on HomePharmacy.com.au.

4 The impact of pharmaceutical marketing

Doctors are exposed to a large number of advertisements in *Australian Doctor* and *Medical Observer*. Pharmaceutical companies with the most sales also place the most advertisements. They have large marketing budgets but not necessarily the most effective drugs. The advertisements are likely to feature an image designed to create an emotive link with the viewer. In some cases those images potentially misrepresent the effectiveness of the drug. Such images are not educational. It is not clear they are necessary to enable doctors to make decisions about whether or not to prescribe a drug.

Almost all advertisements are for drugs which are under patent. Those which are off-patent are not likely to be advertised at all *even where their use is considered best practice*. An off-patent drug, chlorthalidone, is considered the best first line response to high blood pressure for the majority of the population. It is prescribed far less often than its status suggests it should be. Whether or not advertising in medical newspapers contributes to this sub-optimal outcome is not certain. However, it is highly likely that the totality of marketing for drugs is a significant cause.

With these types of biases in pharmaceutical advertising, it is difficult to see how it can be educational or provide truly useful information to doctors. CHOICE believes that mechanisms for providing physicians with independent information are urgently needed to ensure appropriate use of medicines. This would protect consumers from unnecessary risk and has the potential to make savings to the PBS.

5 A better way

We have consistently called for a stronger Code of Conduct to regulate pharmaceutical promotion. While the ACCC has introduced some stricter accountability requirements into the Code, we don't believe this has addressed its major weaknesses. We believe significant reforms are needed to introduce stronger sanctions and monitoring. We also want the Code's administration to be independent of the pharmaceutical industry. These changes are needed as a matter of priority. However, this will not completely address the major issues of the independence and quality of the information doctors receive.

5.1 Independent information for doctors

Doctors need to be informed about new drugs that are available for their patients. This information, however, should be unbiased and independent. Pharmaceutical promotion works — it is inconceivable that pharmaceutical companies would do it if it didn't. The drug companies' motive to increase sales is in conflict with the need to provide accurate and unbiased information. Companies usually choose several drugs to market and, as has been shown above, they tend to be the new and expensive products. There is a financial incentive to make the product seem more attractive than competing products. To the extent that this distorts doctors' decision-making it is not in the interests of consumers.

Alternative systems are available to provide doctors with unbiased advice and information about medicines. In Australia, the NPS delivers a program of educational visiting and produces materials on medicines. This provides independent drug information to GPs. The program is coordinated through the Divisions of General Practice.

NPS's program is small, particularly in comparison to the large amount of money pharmaceutical companies spend on promotion. However, it produces savings to the PBS⁴¹ and gives doctors balanced information to make prescribing decisions. This is in the community's interests as consumers of medicines and funders, through the tax system, of the PBS. This program should be significantly expanded, either through the NPS or contracted out to other independent bodies.

5.2 Funding

A major issue in increasing independent drug information for doctors would be how to fund the program. Pharmaceutical companies could fund it through a pooled marketing fund or through a pharmaceutical levy paid to government. Alternatively, the program could be funded directly by government offset by a one-off reduction in the price paid to pharmaceutical companies under the PBS.

5.2.1 Pooled marketing fund

Pharmaceutical companies spend around 35% of their revenue on marketing. To address concerns about bias, these funds could be pooled and administered by an independent body. The body would be arm's length from pharmaceutical companies and would prepare independent unbiased information for doctors. This is sometimes called a 'blind trust'.

Representatives would no longer be employed by pharmaceutical companies but would be engaged by the independent body which managed the marketing pool. Pharmaceutical companies would not need to have direct contact with doctors but would provide information about new medicines to the independent body.

It is likely that under such a scheme, the companies would no longer see the benefit of contributing 35 per cent of their budget to marketing. They could not determine or influence how that money would be spent, or on which product. This would need to be considered in the design of the policy to ensure that ongoing contributions were sufficient.

⁴¹ National Prescribing Service, *Evaluation Report No. 10 – December 2007*, available at http://www.nps.org.au/resources/evaluation/report_10.pdf.

5.2.2 Pharmaceutical levy

One way to ensure contributions are sufficient is to introduce a Pharmaceutical Levy on manufacturers. The levy would be charged in relation to a company's turnover. This levy should not increase the cost of pharmaceuticals because companies would no longer need to spend money on marketing. The companies could however be assured that the information about their products was passed on to physicians.

It is reasonable that pharmaceutical companies contribute to the cost of educational detailing because they receive a direct benefit from the activity. However, this benefit may not be evenly distributed across the industry because companies with more effective medicines will benefit more. There would also be an increase in government departmental expenses to collect the levy and an additional regulatory burden on the industry to calculate and pay the levy. Pharmaceutical companies may use the levy and compliance costs to justify ongoing high prices. This would not be a desirable outcome and may suggest a levy is not the most effective way to fund the program.

5.2.3 Government funding

The program could also be funded directly by the government from tax revenue. This would be the simplest and most transparent way of funding the system. There would be no cost for government associated with collecting a levy and no additional compliance costs for pharmaceutical companies.

An immediate saving could be made by a one-off reduction in the price paid to pharmaceutical companies through the PBS. Approximately 35 per cent of the price paid for PBS-listed medicines pays for the promotion of those medicines. A one-off price reduction can be justified because companies would no longer need to spend as much on promotion. Companies would be contributing to the cost of education in proportion to their turnover. There may also be longer-term savings to the PBS from the quality use of medicines.

6 Conclusions and recommendations

CHOICE believes that there is a strong case for a change in the way medical professionals receive information about medicines. It is not appropriate for this information to come from pharmaceutical companies. They are neither unbiased nor independent. We need independent sources of information which give medical practitioners information about the full range of treatments for a condition based on the best available evidence. This would benefit consumers, contribute to the quality use of medicines and is likely to make savings to the PBS.

The government contributes significantly to the cost of medicines in Australia. It is appropriate the government takes a greater role in educating medical practitioners. This could be done through increasing funding for independent information sources for medical practitioners. The cost of this measure could be offset by a saving to the PBS from a one-off reduction in the price of medicines.

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