



January 28, 2009

Fact Sheet

Pharmaceutical Industry Marketing

Reducing the Impact of Pharmaceutical Marketing to Physicians and Promoting Appropriate Prescribing and Drug Safety

The pharmaceutical industry spends nearly \$30 billion annually on marketing. The majority (including samples) is spent on direct marketing to physicians (Donohue, NEJM, 2007).

Nationwide, prescription drug spending rose to \$234.1 billion in 2008, almost six times the \$40.3 billion spent in 1990 (Kaiser Family Foundation, 2010).

This fact sheet was created in collaboration with



How much does the pharmaceutical industry spend to market its drugs?

Reports of pharmaceutical and medical device industry marketing expenditures vary. The following are some recent estimates:

- **\$20.4 billion in 2007** (Verispan)¹
- **\$29.8 billion in 2005** (IMS)²
- **\$57.5 billion in 2004** (Gagnon 2008 - CAM and IMS data combined)³
- **\$54 billion in 2001** (Angell 2004 - Extrapolation from Novartis annual reports)⁴

Integrated Medical Systems (IMS) and Verispan are marketing research companies that collect data directly from industry, while CAM collects industry marketing information from physicians via survey. Marcia Angell's estimate of \$54 billion is based on the annual reports of Novartis which distinguish "marketing" from "administration" (a distinction not commonly made in industry annual reports.)

Some of the variance above is due to differences in the types of activities captured. For example, the Verispan estimate does not include expenditures on pharmaceutical samples, while the cost of sponsored meetings and talks are not included in IMS data.³

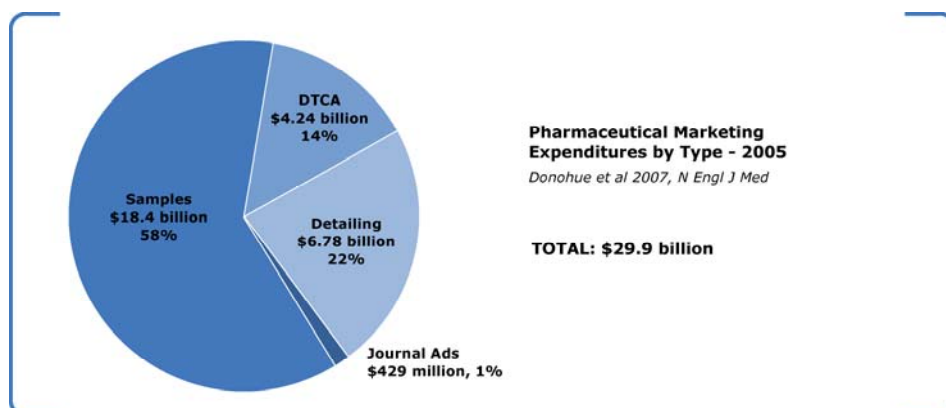
Although reports solicited from industry may be conservative in their definition of marketing,³ they also bear less risk of overstatement. The Prescription Project references IMS data.

What do these totals include?

Estimates of pharmaceutical marketing normally include detailing, journal advertising, pharmaceutical samples and direct-to-consumer advertising.

Detailing is the largest industry marketing segment after expenditures on pharmaceutical samples. It is the industry term for face-to-face sales and promotional activities directed toward office- and hospital-based physicians and directors of pharmacies. It includes pay for sales representatives and the meals and gifts they provide. IMS data includes expenditures to "field the rep" but not the cost of managers and training.³

The figure below shows the allocation of marketing expenditures by type in 2005 drawn from IMS data.² Overall, this data represents a 300% increase in marketing expenditures since 1996 (\$10 billion), with the largest growth occurring in direct-to-consumer advertising (530%).



Is there more?

Almost certainly. Most estimates of pharmaceutical marketing do not capture payments made to physicians for consulting and speaking relationships, although these often involve a marketing purpose.^{5, 6} Close to 1 in 5 physicians are paid by industry as consultants.⁷

Continuing Medical Education (CME) should also be examined. In 2007, total income for the CME industry was \$2.54 billion, with \$1.21 billion of funding coming from pharmaceutical and medical device companies.⁸ This represents a 4-fold increase over 1998 levels of industry support. Almost two thirds of the cost of CME in medical schools and teaching hospitals is paid for by the pharmaceutical and medical device industries.⁹

What are the most heavily promoted drugs?

In 2005, the most heavily promoted drugs were antidepressant SSRIs or SNRIs, resourced with \$1 billion in promotional funds. Proton-pump inhibitors for acid reflux and statins for cholesterol reduction came next, at \$884 and \$859 million respectively. These three therapeutic classes were also the top three in U.S. sales revenue that year (all greater than \$12 billion).²

Does it work?

Published studies clearly establish that detailing, samples, direct to consumer advertising and journal advertising all influence prescribing.¹⁰⁻¹⁶

How many pharmaceutical sales reps are there in the United States?

In 2007, there were slightly less than 95,000 reps, up from 88,000 in 2001.¹ To put it another way, this is about 1 rep for every 7 physicians (based on 95,000/663,000)¹⁷

However, many physicians are in non-clinical roles, in rarely visited rural practices, or refuse to see reps. Some sources estimate a more realistic ratio of 1 rep for every 4-5 doctors.^{18, 19} Pharmaceutical Executive magazine estimates about 250,000 doctors are targeted by sales reps, putting the ratio closer to 1:2.5.^{20, 21} According to the

health strategies group, primary care physicians deemed as "heavy prescribers" were called on by an average of 29 reps a week in 2005 and 2006.²²

How much does the industry spend on lobbying?

PhRMA, the pharmaceutical industry's main trade group spent more than \$22 million lobbying the federal government in 2007, a 25 percent boost from the year before. PhRMA reported lobbying on how prices are set for seniors' medications, rules governing drug imports and other issues.

In addition, individual companies spent at least another \$225 million on federal lobbying.^{23 24} This does not include state-level lobbying by PhRMA and individual companies.

What can be done to protect patients, control health care costs, and bolster professionalism among physicians?

The Prescription Project promotes a range of solutions for consumers, physicians, state and federal policy makers, and public and private payers. For more, visit our website. www.prescriptionproject.org

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