
The Pharmaceutical Industry, Drug Prices and Value

Pharma, Biotech and Device Colloquium
at Princeton University

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Topics

- Perceptions of the Pharmaceutical Industry
- Industry Marketing Practices
- Drug Prices
- Drug Costs and Non-compliance
- Drug Importation
- The Need to Demonstrate Value



Attitudes to Pharmaceutical Companies





Industry Ratings

Percentage of consumers who say each industry does a good job serving their customers

	1997	1998	1999	2000	2001	2002	2003	Change since '97	Change since '02
	%	%	%	%	%	%	%		
Hospitals	77	73	71	72	67	73	73	-4	-
Banks	75	72	68	73	71	74	72	-3	-2
Computer hardware companies	80*	78	80	76	78	59	71	-9	+12
Computer software companies	80*	77	80	78	80	60	70	-10	+10
Car manufacturers	70	69	70	67	67	64	64	-6	-
Airlines	N/A	78	71	66	51	63	64	-14	+1
Telephone companies	80	76	67	64	61	58	57	-23	-1
Life insurance	64	63	61	62	60	55	56	-8	+1
Pharmaceutical and drug companies	79	73	66	59	57	59	49	-30	-10
Oil companies	59	64	55	39	27	38	42	-17	+4
Health insurance companies	55	48	41	39	38	51	40	-15	-11
Managed care companies	51	45	34	29	29	33	30	-21	-3
Tobacco companies	34	32	31	28	28	25	30	-4	+5

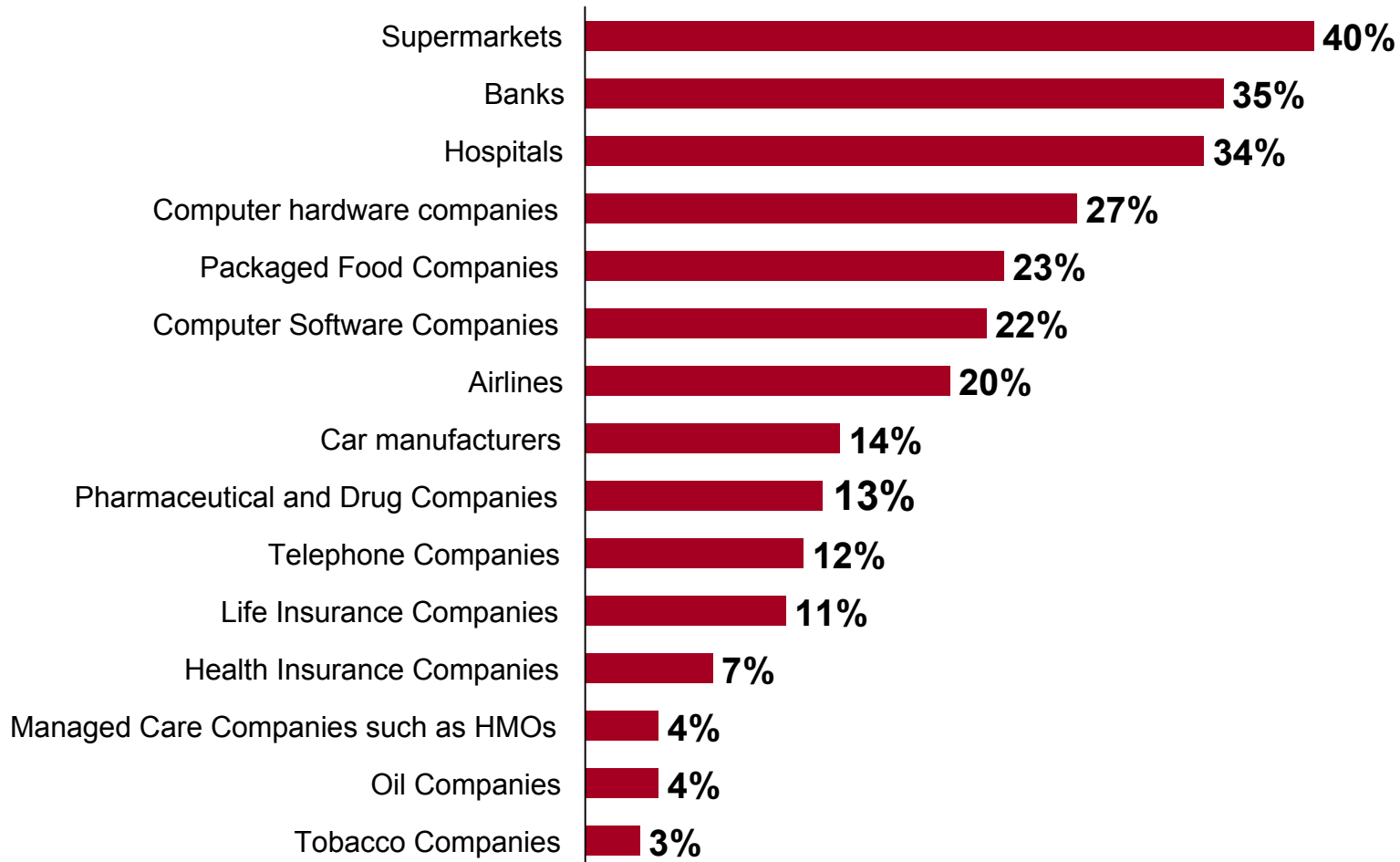
* In 1997 "computer companies" were rated together (i.e. hardware and software companies were not measured separately)

** Because airlines were not included in 1997, the trend for airlines is from 1998 - 2002



Few consumers regard pharmaceutical companies as honest and trustworthy

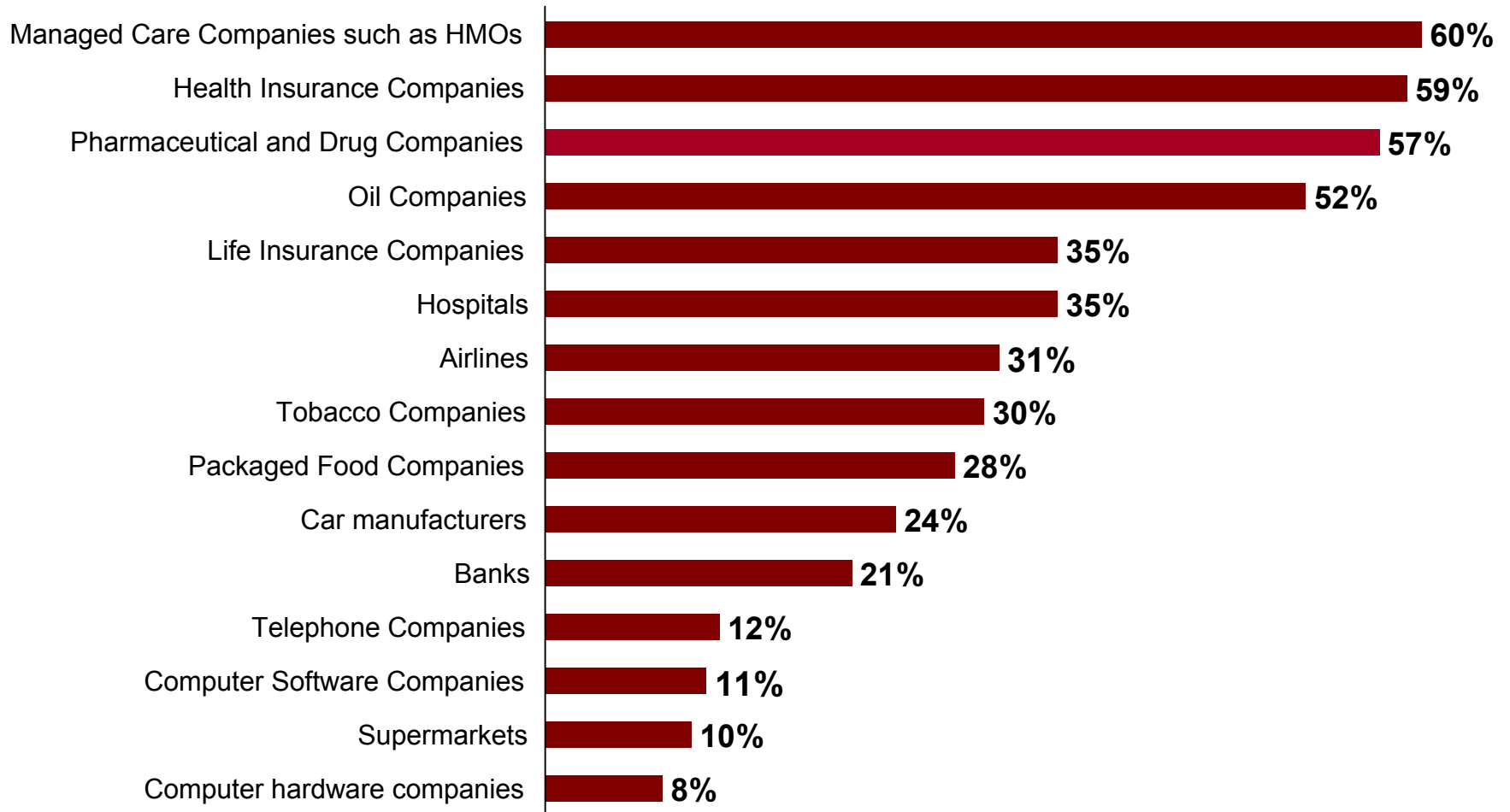
Which of the following do you think are generally honest and trustworthy – so that you would normally believe a statement by a company in that industry?





Support for increased government regulation of selected industries

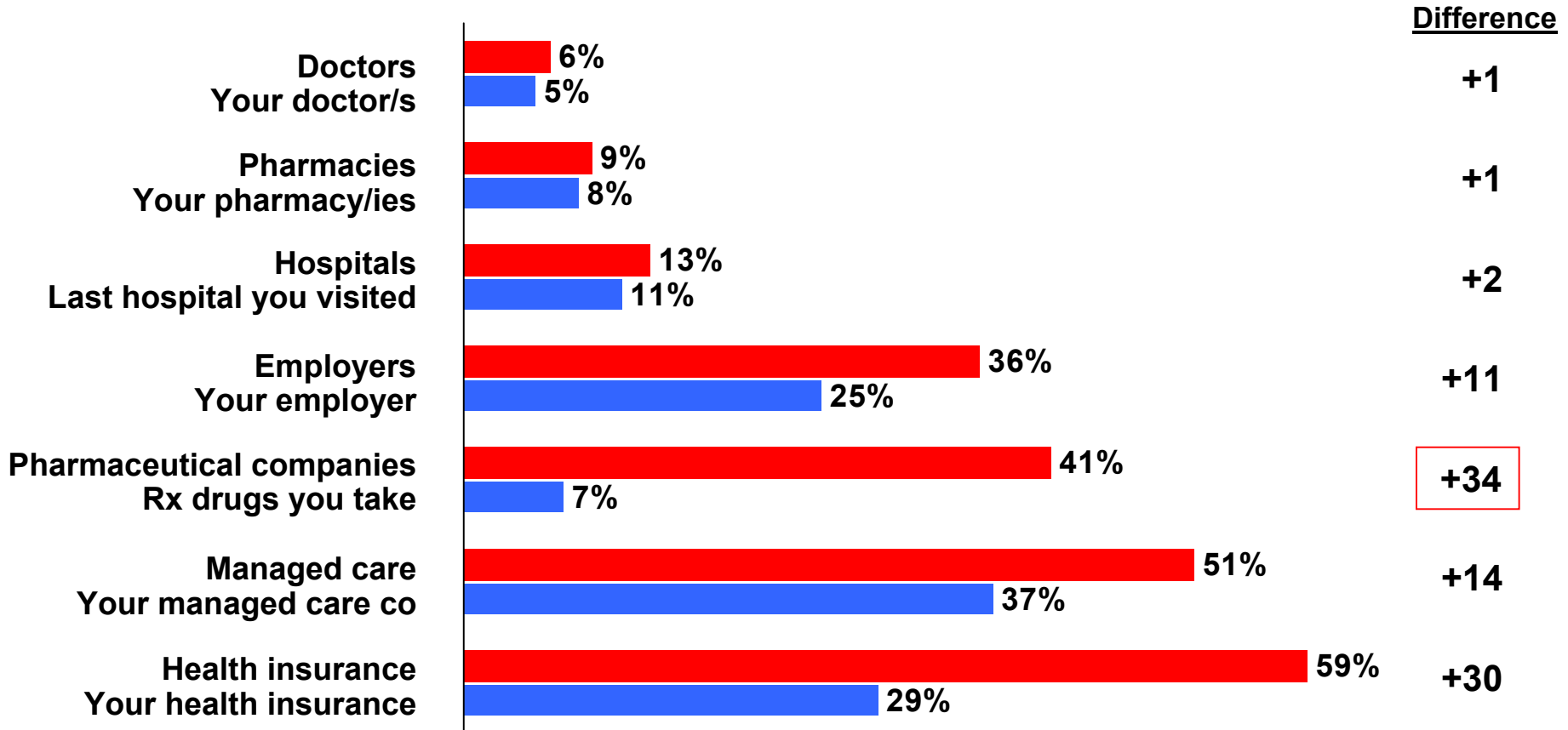
Which of these industries do you think should be more regulated by government - for example for health, safety or environmental reasons - than they are now?





Americans trust pharmaceutical companies far less than they trust pharmaceutical products

■ Distrust in professions, companies and institutions IN GENERAL
■ Distrust in professions, companies and institutions that you have USED



Source: Wall Street Journal/Harris Interactive, January 13-15, 2004



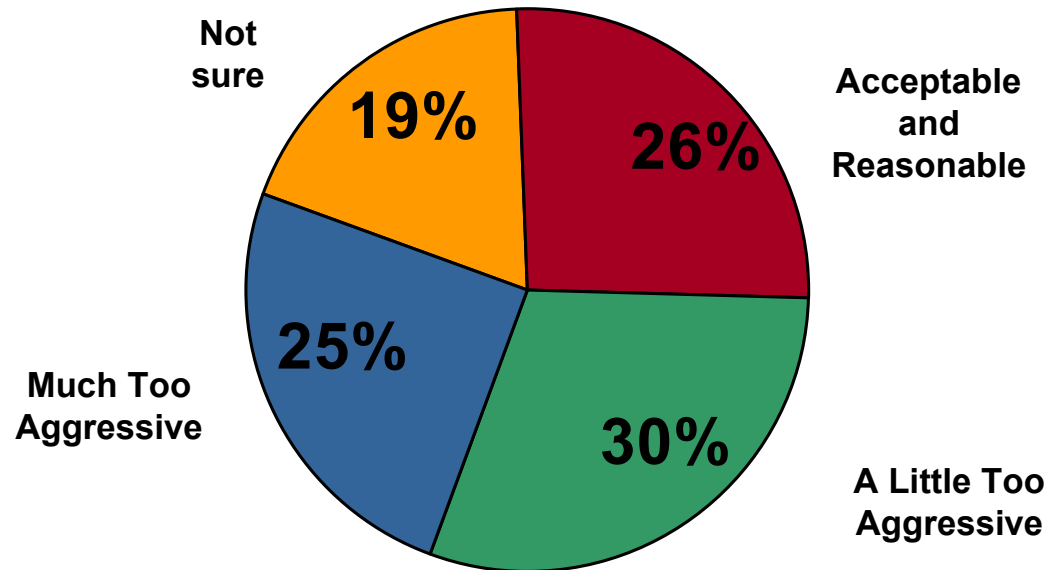


Industry Marketing Practices



Consumer attitudes toward physician-directed marketing by the pharmaceutical industry

Consumer attitudes toward pharmaceutical companies' practice of marketing their drugs to doctors



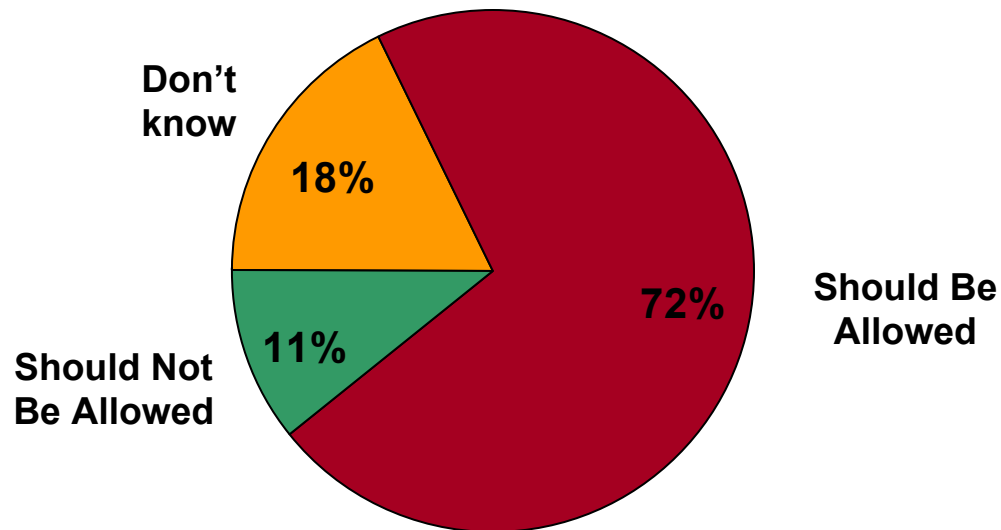
Base: All adults





Consumer attitudes toward pharmaceutical industry-sponsored CME

Consumer attitudes toward pharmaceutical companies' practice of sponsoring medical education programs for doctors which include information on benefits of their drugs



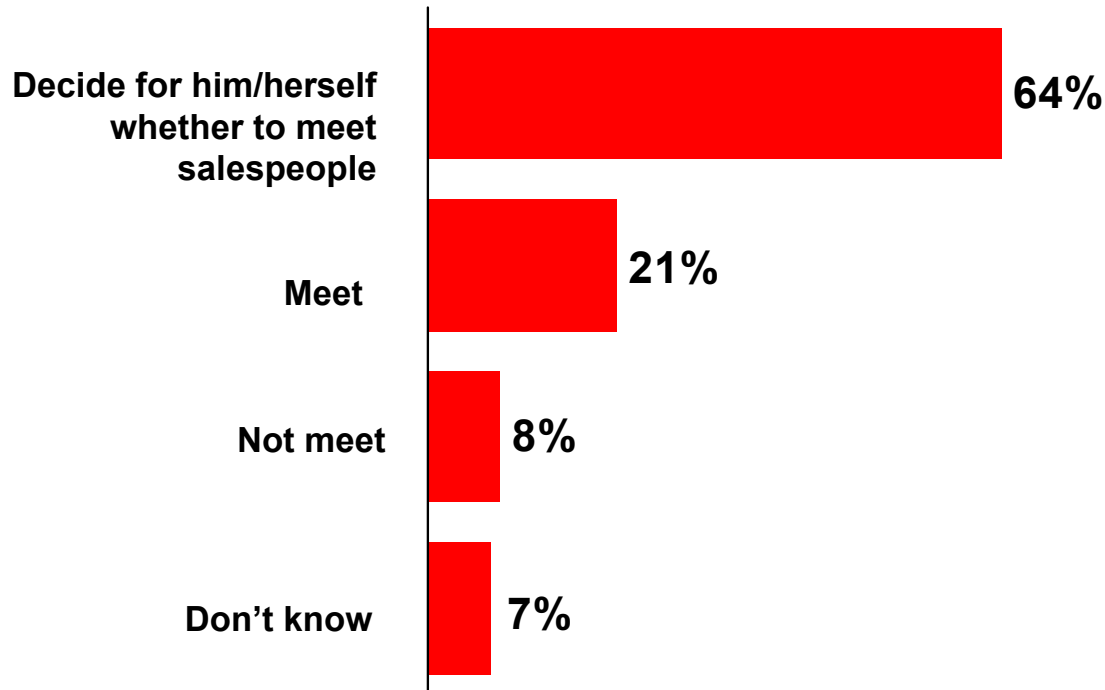
Source: Harris Interactive/Wall Street Journal, January 2, 2003.





Consumer attitudes toward pharmaceutical company representatives meeting with doctors

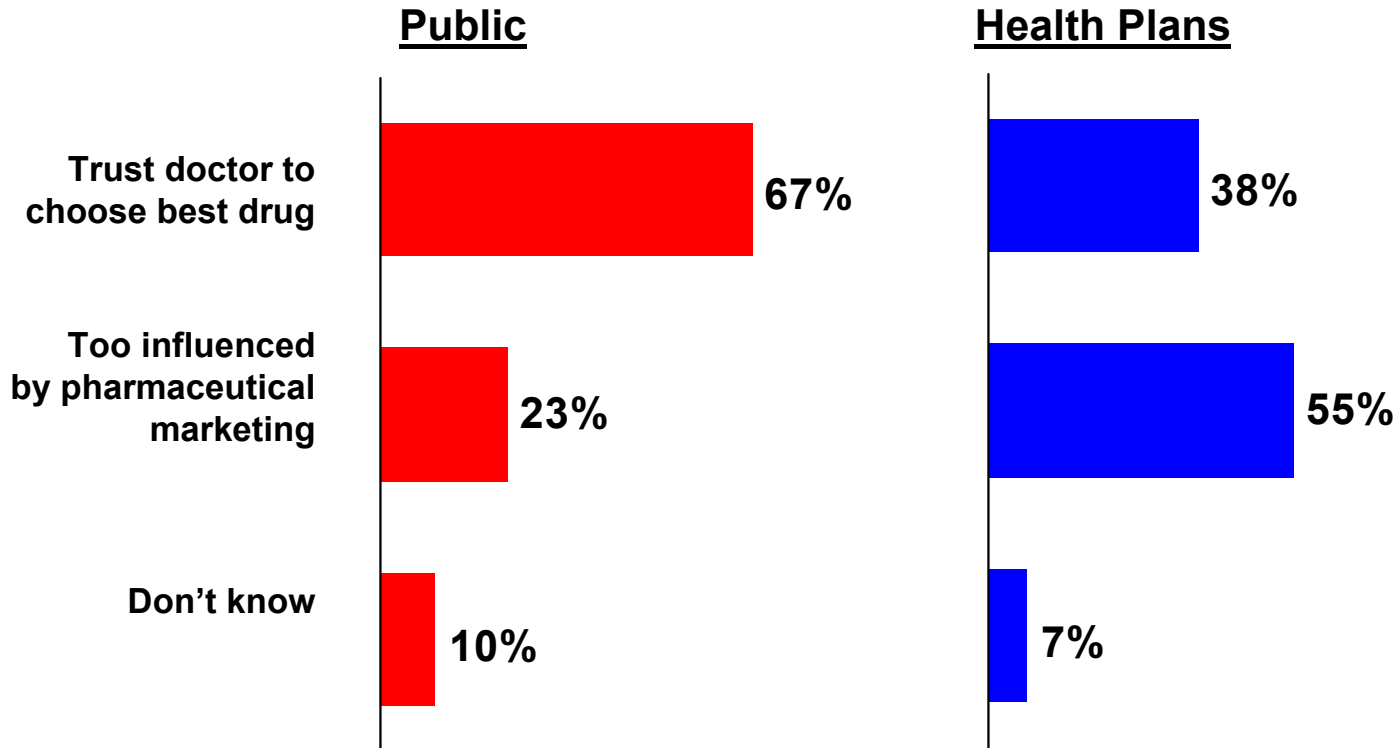
“Sales people from the pharmaceutical companies meet with many doctors to describe the benefits of their drugs. Would you prefer your doctor to...?”





Attitudes toward pharmaceutical company influence on physician prescribing decisions

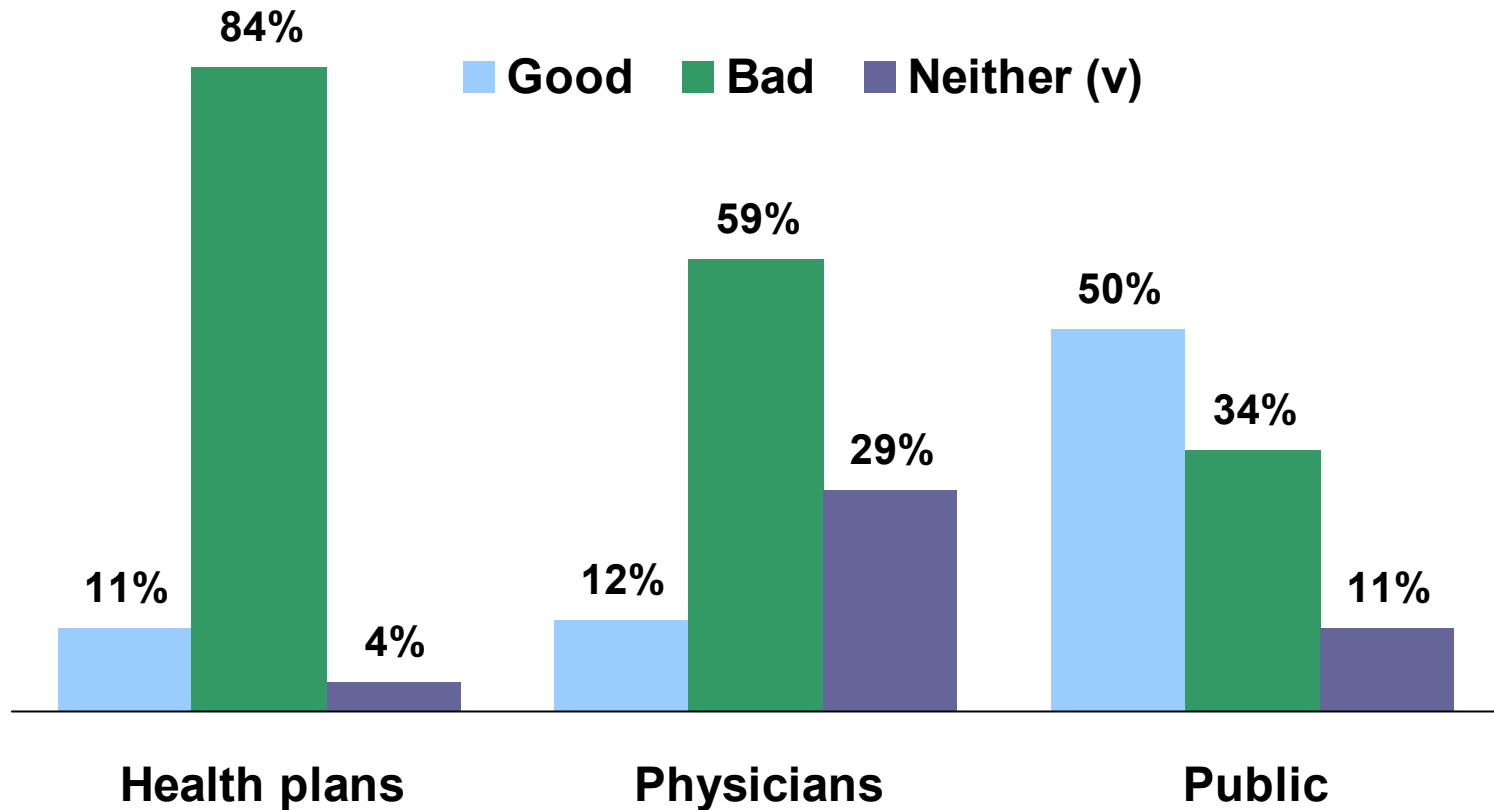
“When a doctor writes a prescription for (you), do you...?”





Comparison of stakeholder attitudes toward DTCA

In recent years, pharmaceutical companies have substantially increased the number of pharmaceutical advertisements directed at consumers. Do you think this is a good thing or a bad thing?



Note: Results for health plane executives and physicians are from 2002; Results for the general public are from 2003.





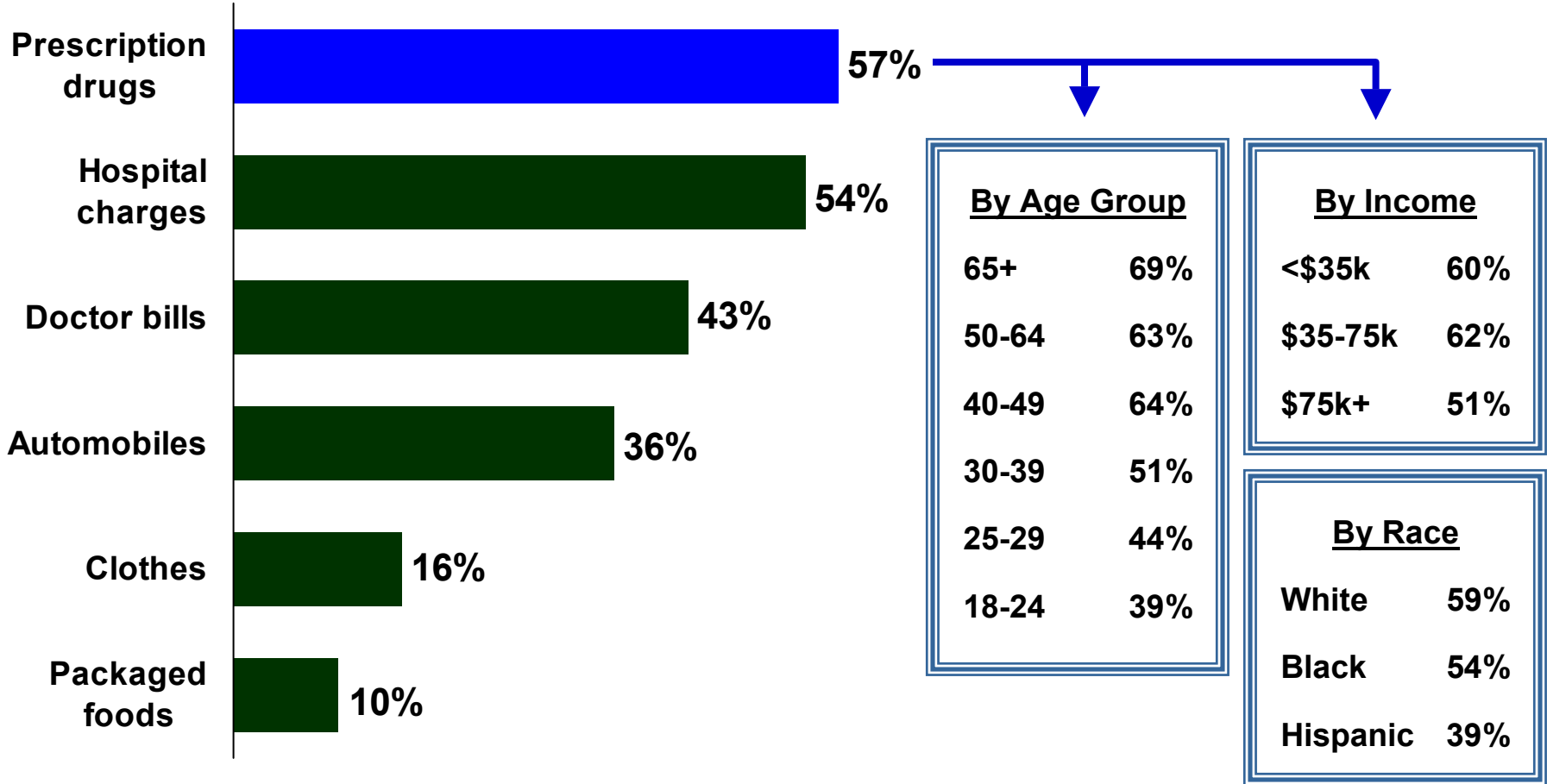
Drug Prices





Attitudes Toward Health Care Prices

% of consumers who say that prices of the following goods are unreasonably high





Only a Few People Find It Difficult to Pay for Prescription Drugs

“How difficult is it for you to pay each of the following – the amount you pay each time you buy a drug with a doctor’s prescription?”

Base: Have Health Insurance	All Insured Adults	Adults With:		
		Employer-Provided	Individually Purchased	Medicare
	%	%	%	%
Very difficult	7	5	11	17
Somewhat difficult	18	16	25	24
Not very difficult	27	31	25	23
Not at all difficult	37	44	21	27
Don't pay	11	4	18	9

Source: Harris Interactive, 2004.



Rx prices are viewed as chief culprit for rising health care costs – especially among the elderly

What two of these do you think adds the most to increased spending on health and medical care?

	Total %	Age					
		18-24 %	25-29 %	30-39 %	40-49 %	50-64 %	65+ %
Higher prices of prescription drugs	37	37	29	30	36	41	50
Medical malpractice and insurance	28	15	29	32	33	27	26
Increased profits in health care companies	24	14	18	25	28	28	22
Increased fraud, waster and abuse	23	16	18	25	30	20	23
Higher hospital fees	20	21	24	25	14	19	22
Aging of the population	18	13	17	16	19	24	15
New medical technology and new drugs	12	16	14	10	11	11	14
Increase in marketing and advertising	9	9	6	7	7	11	15

Source: Harris Interactive/Wall Street Journal, December 2-4, 2002.





Most Urgent Health Care Issue

“Which one of the following do you think is the most urgent health care issue which needs to be addressed in the next four years?”

Base: All Adults	Total
	%
Reducing the cost of prescription drugs	39
Reducing the number of people without health insurance	39
Improving the quality of medical care	17
Not sure	5

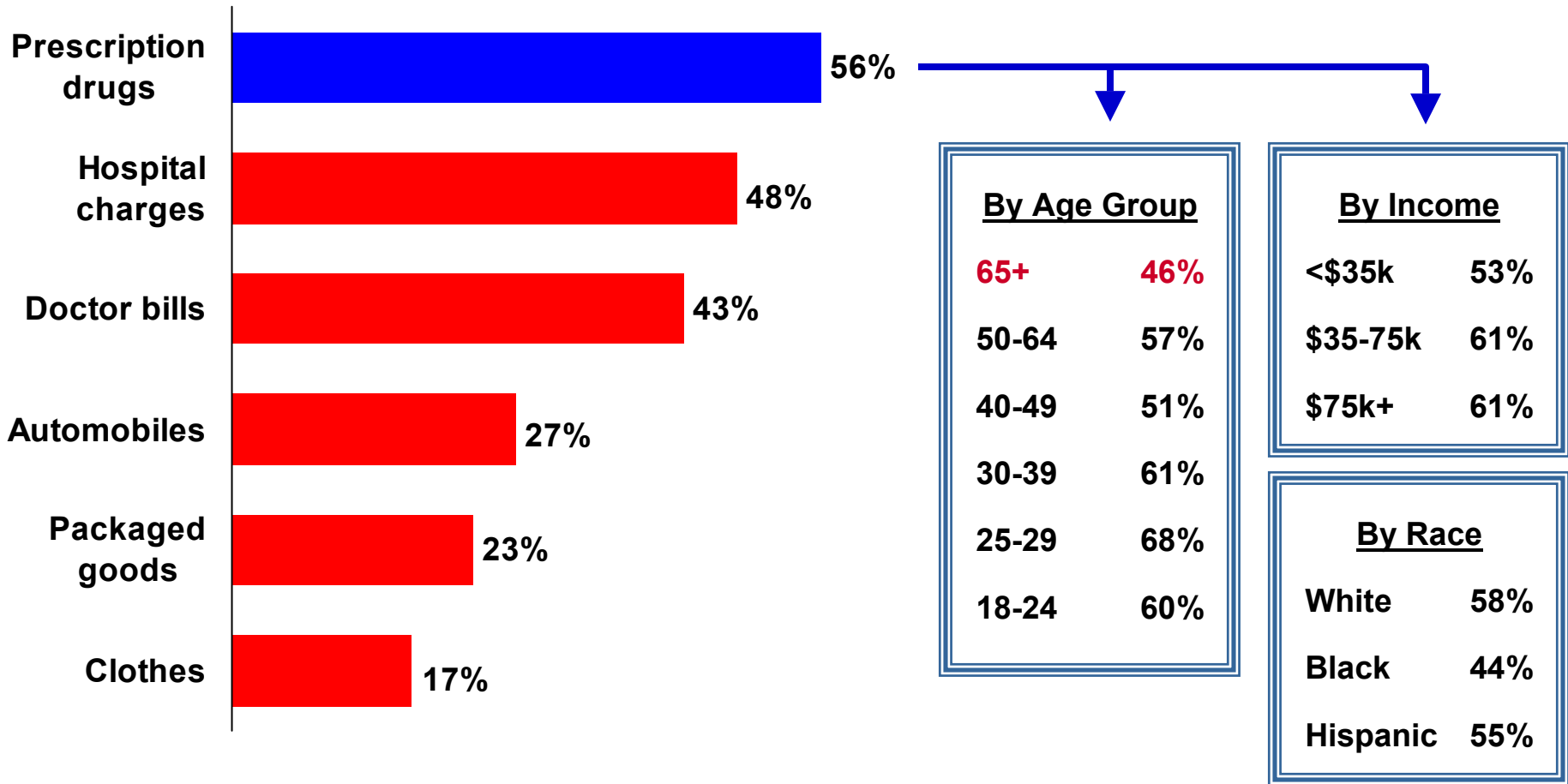
Source: Harris Interactive, 2004.





Support for federal price controls of selected products and services

% of consumers who favor federal government price control





Biggest Threat Over Next Two To Five Years

“Looking ahead to the next 2 to 5 years, which do you think are the **most serious threats** to your sector of the health care industry?” (Multiple Response)

Base: Attendees of World Health Care Congress	%
The rate of increase in health care spending	31
Erosion of employer-provided health insurance	19
Increasing number of uninsured and/or underinsured	15
Reimbursement rates	13
Slow adoption of information technology	13
A public backlash against your industry	10
New federal legislation or regulation	9
Labor shortages	9
Rising consumer out-of-pocket costs	9

Source: Harris Interactive, 2004.



Perceptions of Changes Over Last Five Years in the United States

Base: All Adults	Gotten:		Difference
	Better	Worse	
	%	%	%
The affordability of health care	18	75	-57
The availability of modern medicines and treatments	75	18	+57
The spread of diseases	22	68	-46

Source: Pew Center, 2002.



Large Majorities See Pharmaceutical Pricing Policies As Unreasonable

	Reasonable %	Unreasonable %	Not Sure %
Be able to charge substantially more than the price of current drugs when they bring out very effective new drugs	19	73	8
Increase the price of a drug several times in the first few years after it becomes available	7	89	4
Charge whatever prices they want, if they can sell their drugs at those prices	11	85	5



The Impact of Discussion about Cost of Drugs on Prescribing

Base: All Adults	%
Doctor prescribed a drug for me in last year	70
Discussed with doctor pros and cons of different drugs he/she might prescribe	43
As part of these discussions, discussed the different costs of different drugs	23
Doctor prescribed one drug rather than another because it was less expensive	14

Source: Harris Interactive, 2004.

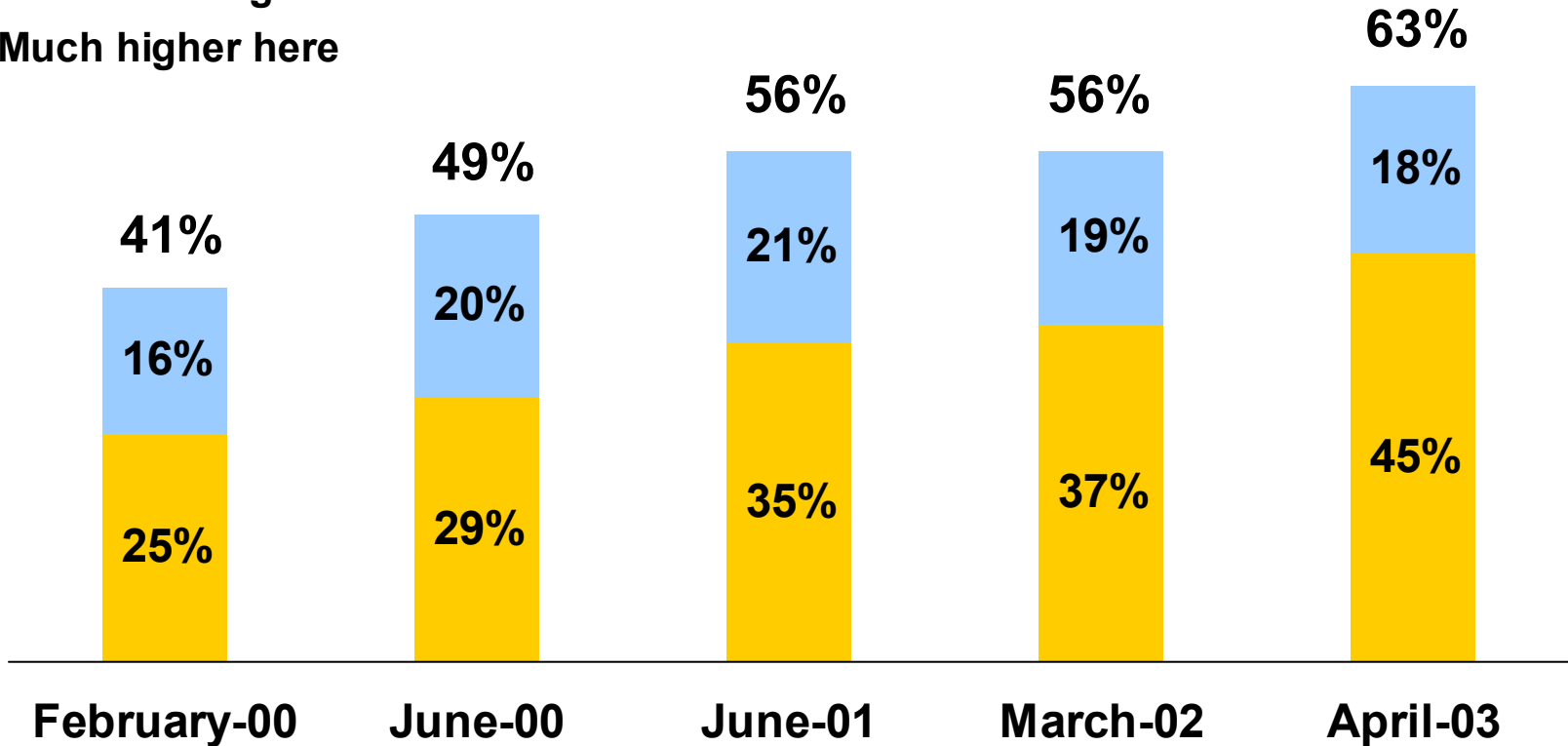


Awareness of international price differences in prescription drugs

“How do you think the prices of of prescription drugs in this country compare with drug prices in Canada and Western Europe? Are the prices her much higher, somewhat higher, about the same, somewhat lower or much lower?”

■ Somewhat higher here

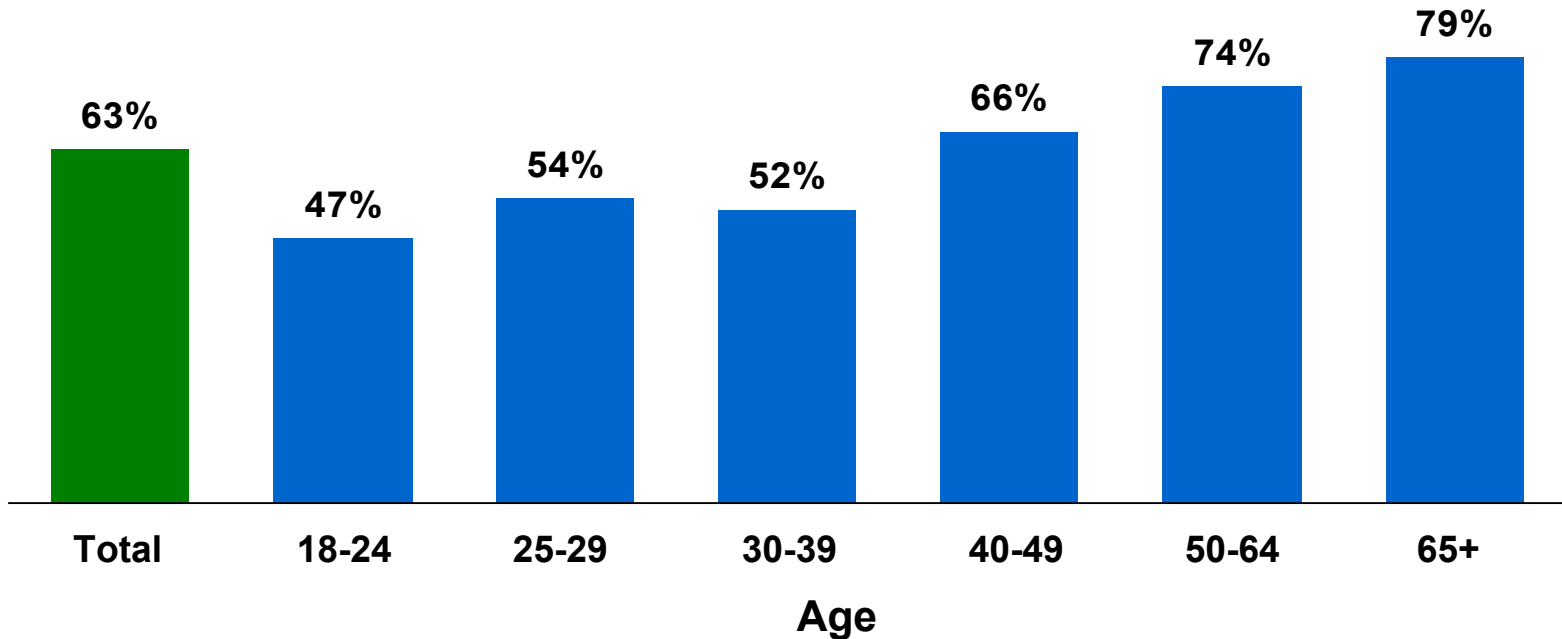
■ Much higher here





Awareness of international price differences by age

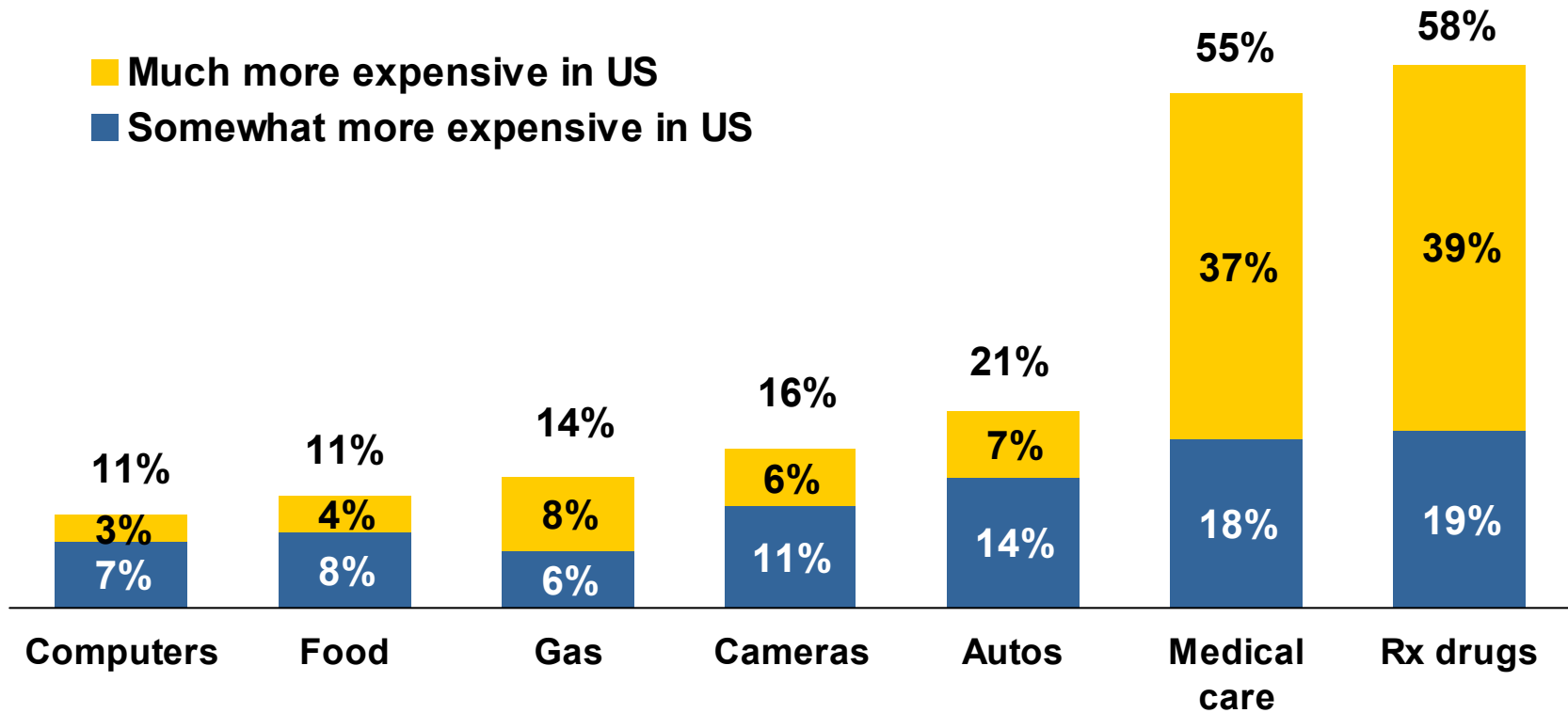
% of consumers who say Rx prices in U.S. are somewhat/much higher than prices in Canada and Western Europe





Americans view medical care as exception to the rule

Percentage saying prices of selected items are higher in the U.S. compared to Europe.

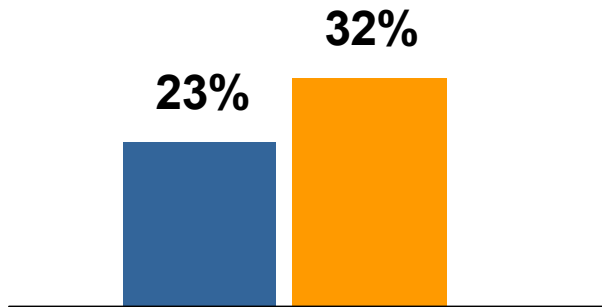


Source: Harris Interactive/Wall Street Journal. January 19 – 28, 2004.

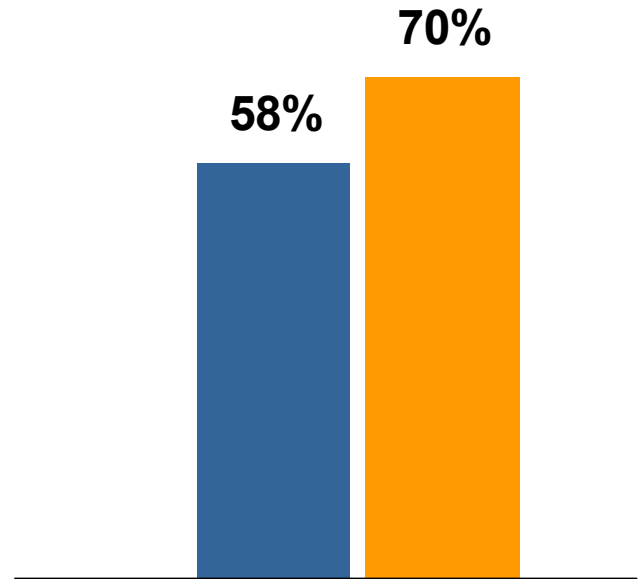


In January more Americans were aware of Rx price disparities than the passage of the Medicare Bill

■ All adults ■ Age 65+



**Correctly answered
that the Medicare bill
passed and was
signed into law**



**Believe that
prescription drugs are
more expensive in US
compared to Europe**

Sources: (1) Kaiser Family Foundation and Princeton Survey Research Associates, Feb 5 – 8, 2004; (2) Wall Street Journal/Harris Interactive, Jan 19 - 28, 2004.

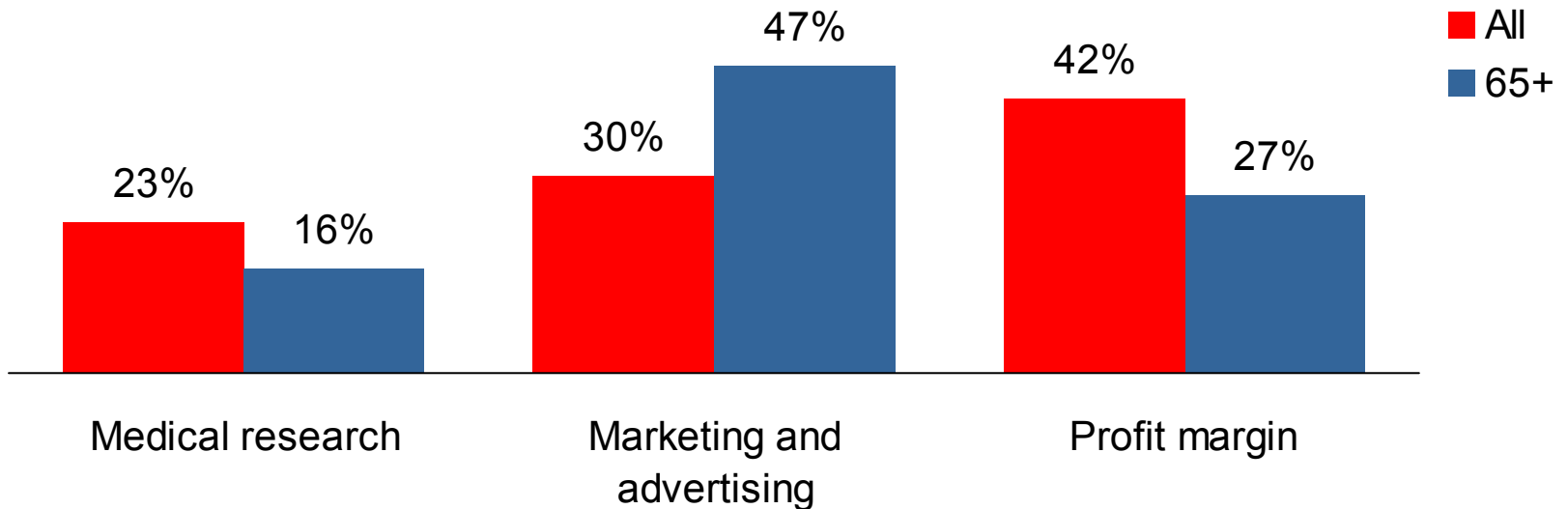
Note: Among all adults, 24% believed that the bill had not passed, and 53% were not sure or refused. Among those 65+, 27% believed that the bill had not passed, and 41% were not sure or refused.





Only 1 in 4 consumers believe medical research contributes the most to Rx prices

Which do you think contributes the most to the price of prescription drugs?



Source: J18677 Harris Poll #4 (April 10, 2003-April 15, 2003).





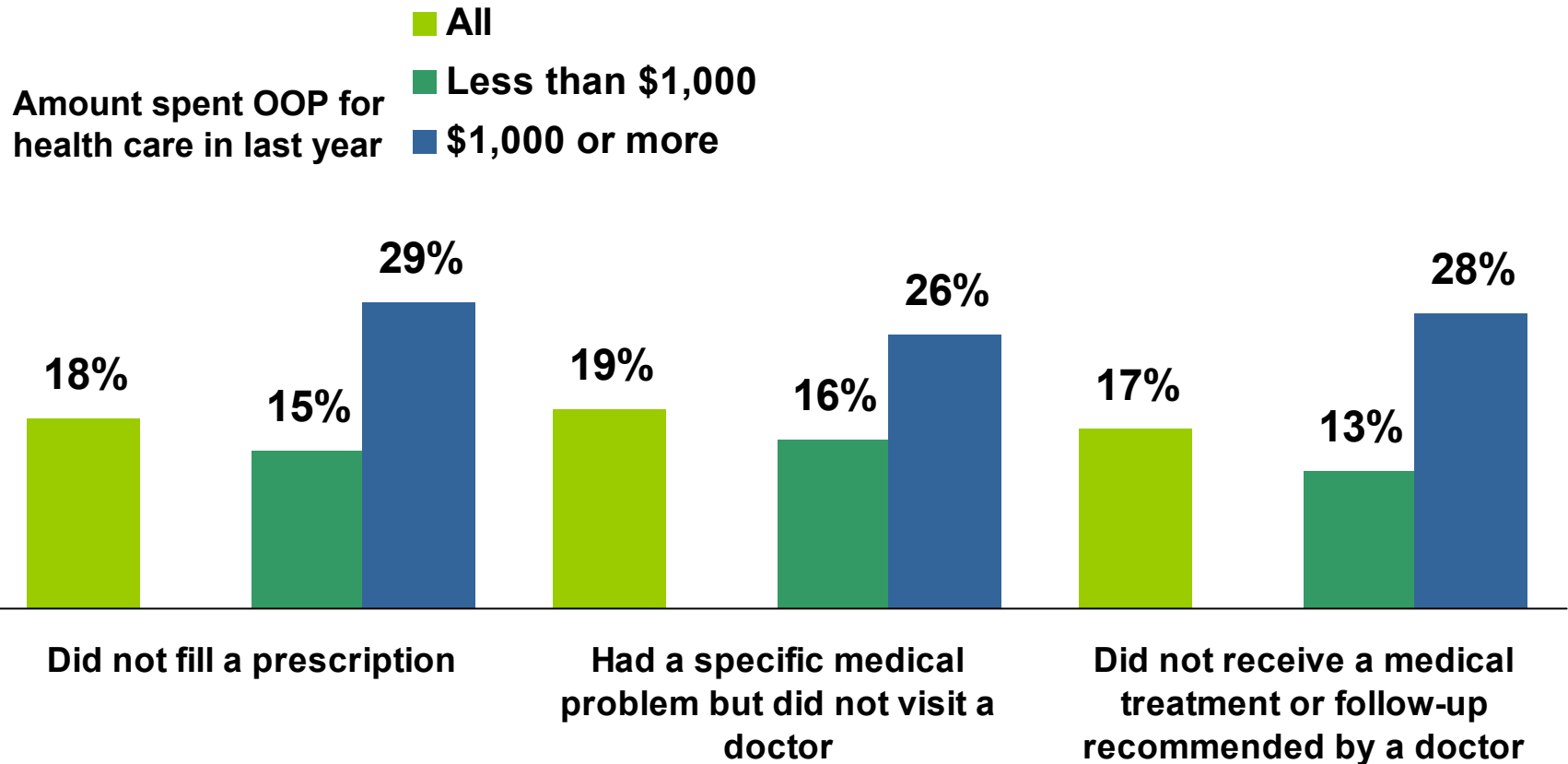
Non-Compliance





Impact of out-of-pocket costs on compliance

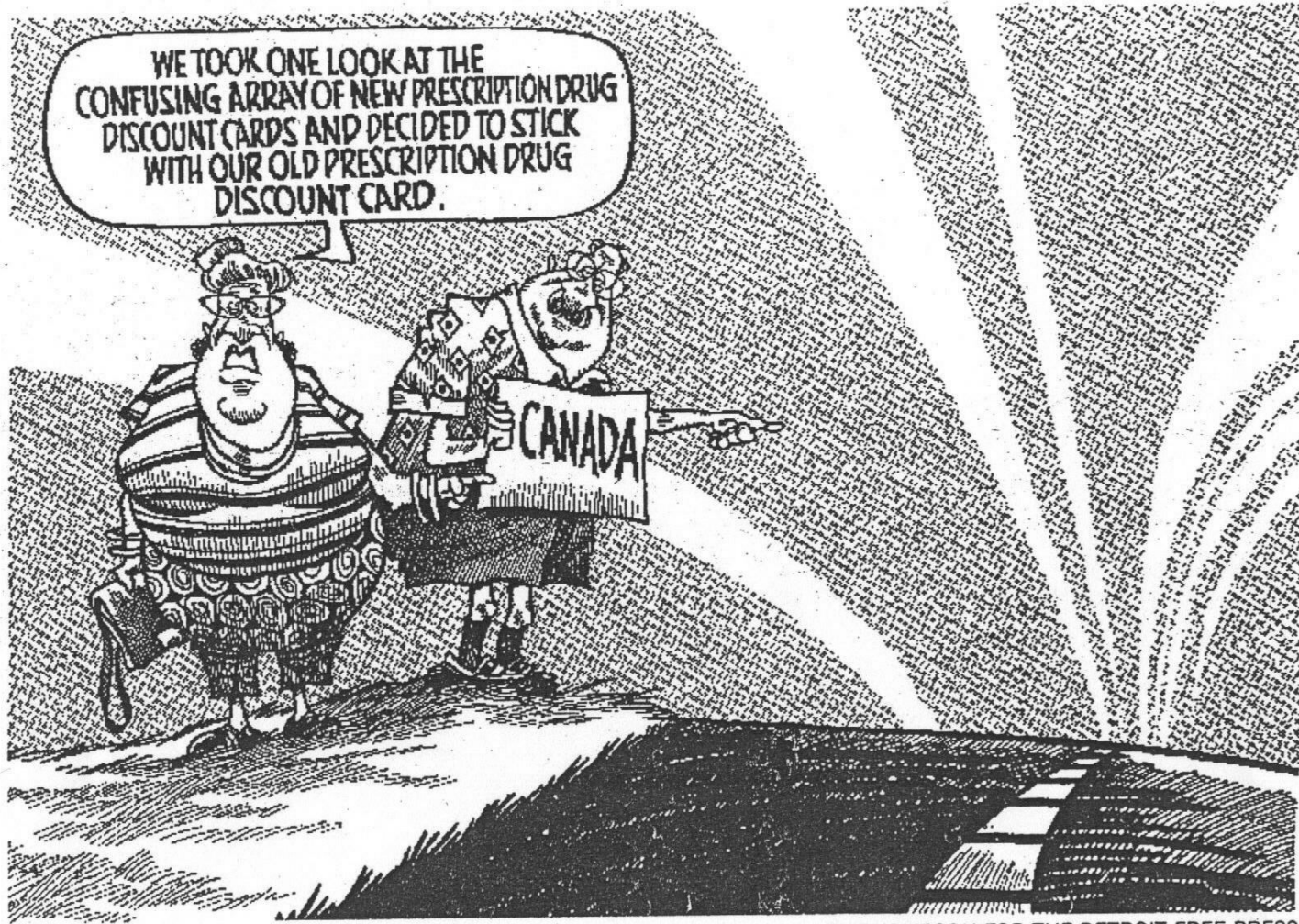
Percentage of consumers that were non-compliant because of cost in the past 12 months





Drug Importation





BY THOMPSON FOR THE DETROIT FREE PRESS.



Favor/Oppose Allowing Importation of Less Expensive Drug?

“Do you favor or oppose allowing people to import prescription drugs from Canada and other countries if they are much less expensive there?”

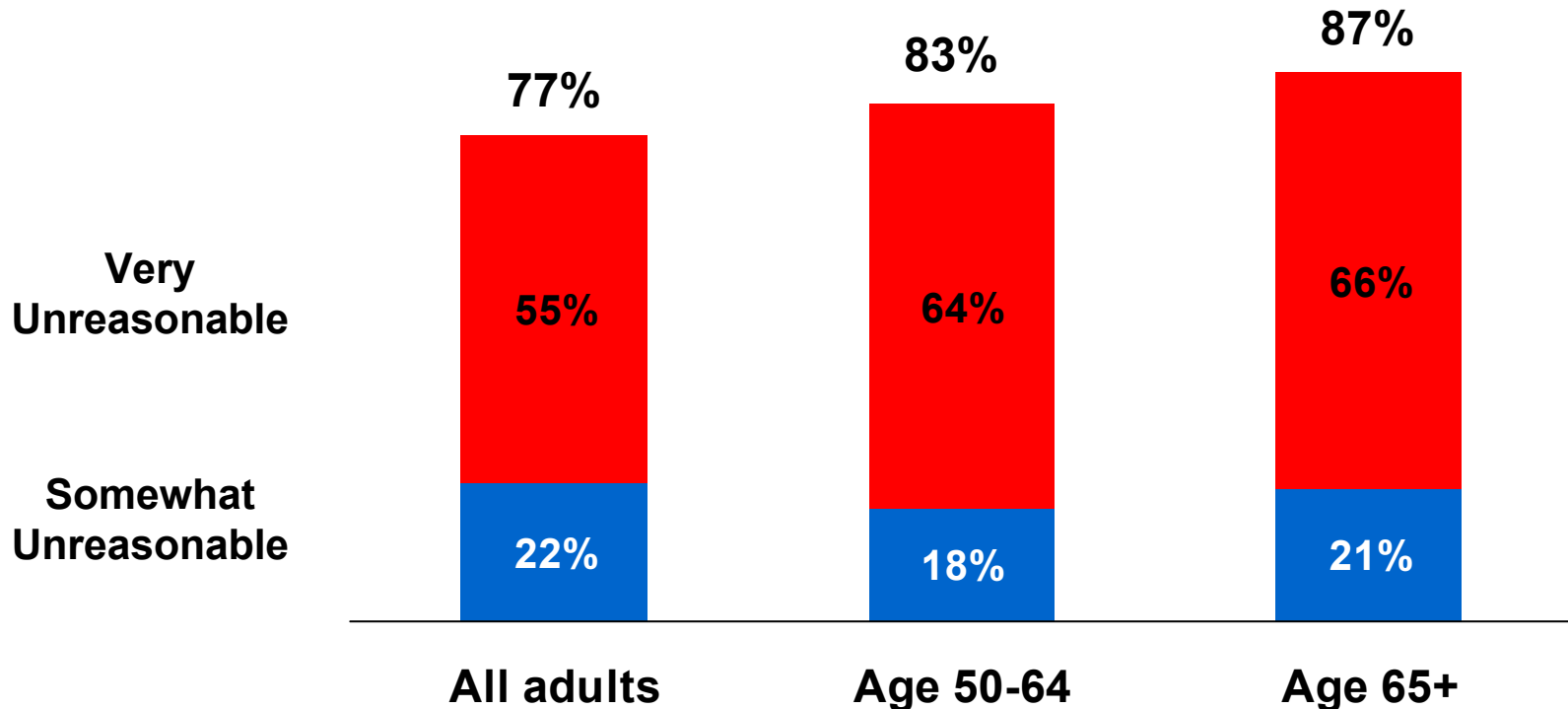
Base: All Adults	Total
	%
Favor	84
Oppose	7
Not sure	10

Source: Harris Interactive, 2004.



Consumers think pharmaceutical industry refusal to permit Internet Rx purchases is unreasonable

Percentage that believe efforts by pharmaceutical companies to make it impossible for Canadian pharmacies to sell drugs over the internet are unreasonable



Source: Wall Street Journal/Harris Interactive, September 30, 2003





Why Bush Opposes Importation of Less Expensive Drug

“President Bush says he opposes the importing of less expensive drugs because they may not be safe. His critics he is doing this to protect the profits of drug companies who contribute a lot of money to support his election campaign. Which do you believe is the main reason he opposes the importing of less expensive prescription drugs?”

Base: All Adults	Total
	%
He is protecting the drug companies' profits	61
He is concerned about the safety of imported drugs	24
Not sure	15

Source: Harris Interactive, 2004.



Is Bush Or Kerry Likely To Do More To Make Drugs Affordable?

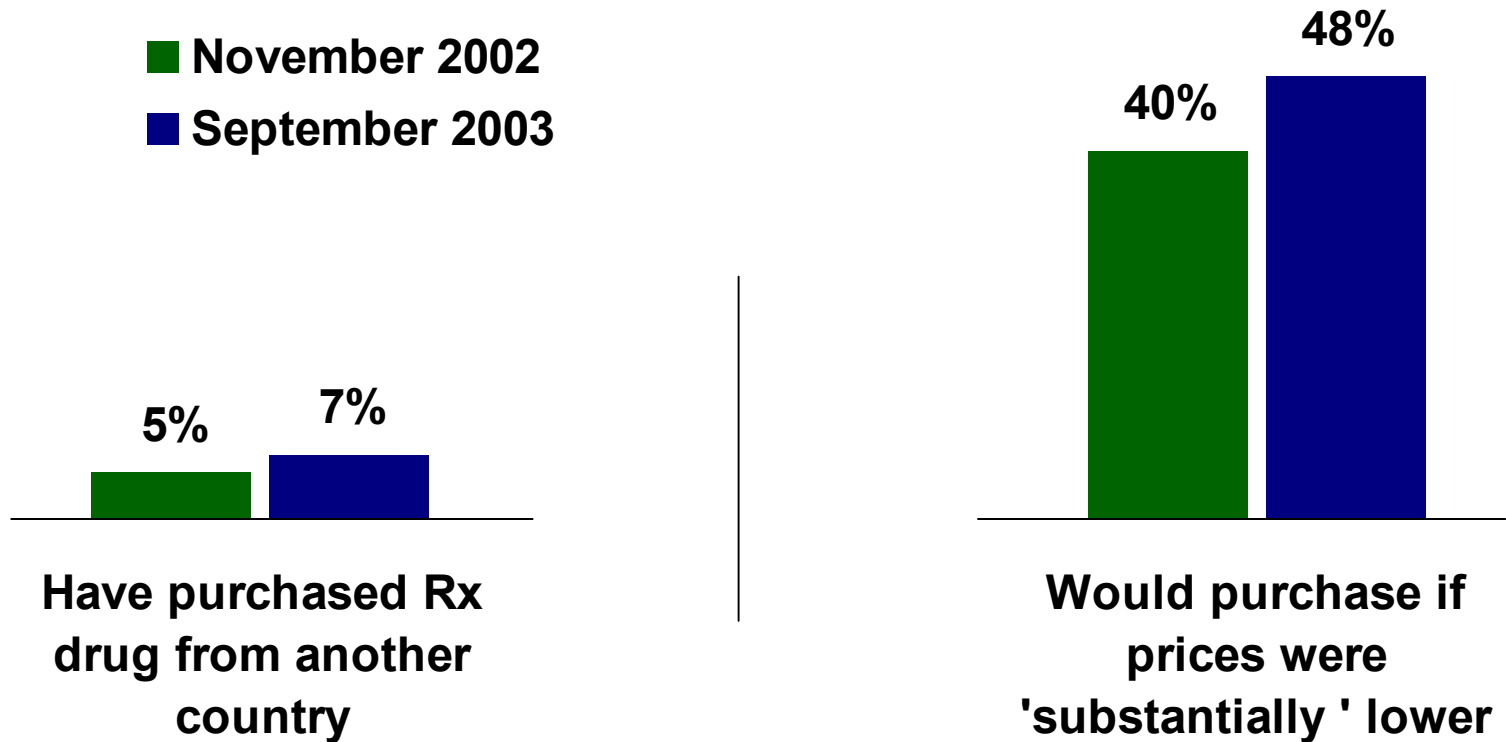
“Who do you think would do more to make drugs more affordable if elected president this November?”

Base: All Adults	Total
	%
Senator John Kerry	40
President George Bush	26
Not sure	34

Source: Harris Interactive, 2004.



Many have shopped (or are willing to shop) abroad

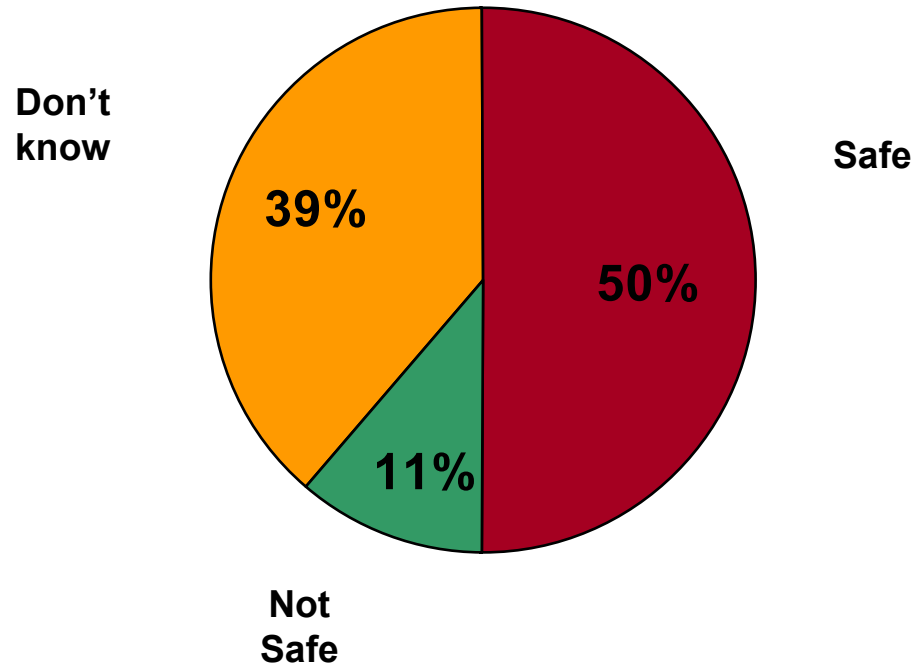


Source: Harris Interactive/Wall Street Journal. September 30, 2003



Consumer perceptions of safety of prescription drugs purchased from pharmacies in Canada

“Do you think it is safe for individuals in the U.S. to purchase prescription drugs from pharmacies in Canada?”



Source: Harris Interactive/Wall Street Journal Online. November 2002





Satisfaction With Drugs Bought Online

“How do you feel about the prescription drug or drugs you bought online. Are you . . .?”

Base: Bought Drugs Online (4% of Adults)	Total
	%
More satisfied than if you had bought it (or them) from a pharmacy	34
Less satisfied than if you had bought it (or them) from a pharmacy	10
Neither more nor less satisfied	56

Source: Harris Interactive, 2004.



Are People Buying Drugs Prescribed Previously Or New Drugs?

“Thinking of the last prescription drug you bought online, was this . . . ?”

Base: Bought Drugs Online (4% of Adults)	Total
	%
A drug which you had bought recently before with a prescription from one of your regular doctors whom you have visited in person, or a drug which you had received recently before as a sample from one of your regular doctors whom you have visited in person	70
A drug for which you had not recently before had a prescription or sample from a regular doctor you had visited in person	30

Source: Harris Interactive, 2004.



Perceived Safety of Drugs Bought Online

“How safe do you think it is to order prescription drugs on the Internet, from companies that send out emails advertising and selling the drugs?”

Base: All Adults	Total
	%
More dangerous (NET)	61
Much more dangerous than buying them in a pharmacy	39
Somewhat more dangerous than buying them in a pharmacy	22
Almost as safe as buying them in a pharmacy	8
Just as safe as buying them in a pharmacy	8
Safer than buying them in a pharmacy	1
Not sure	23

Source: Harris Interactive, 2004.



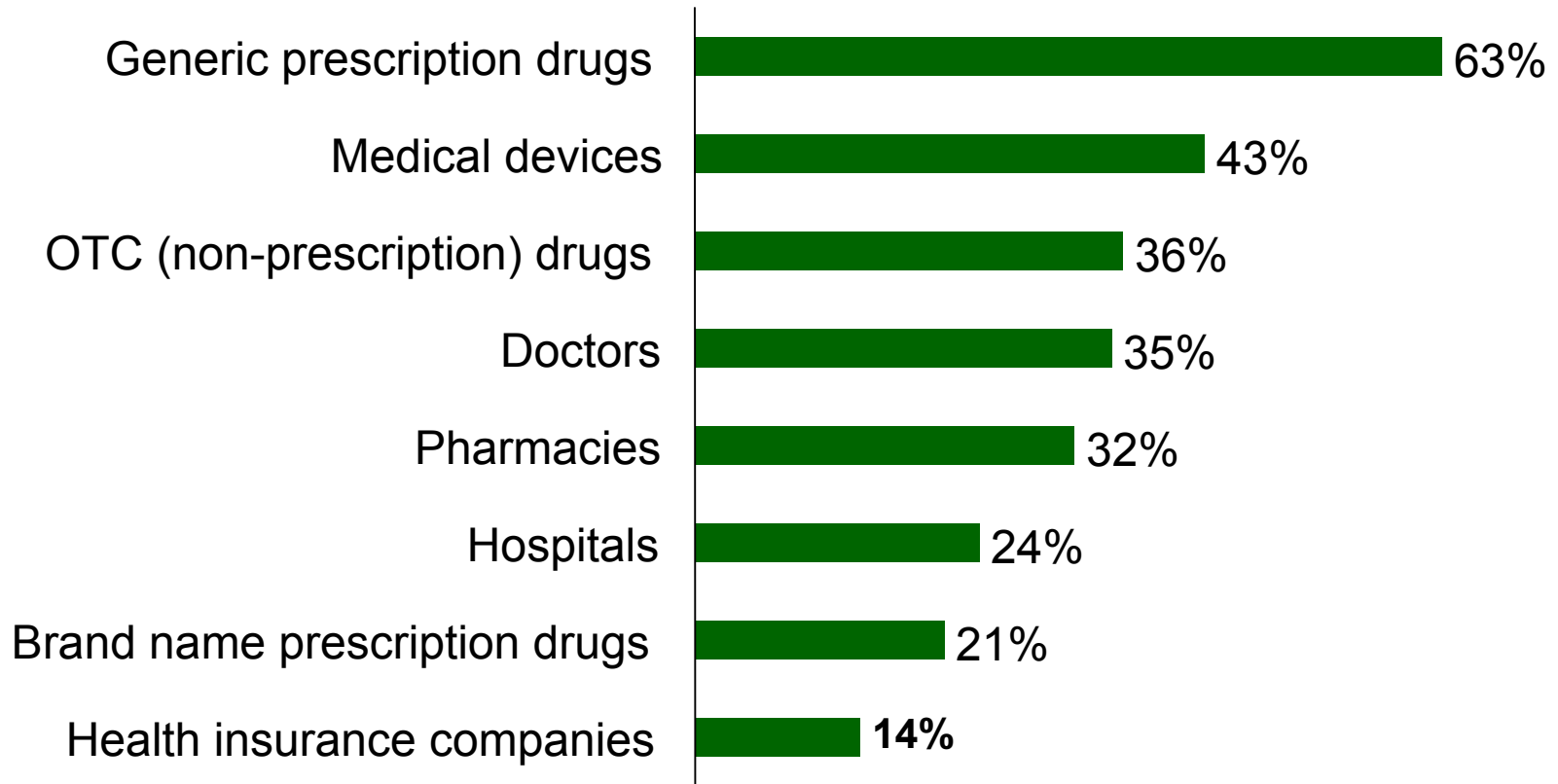
The Need to Demonstrate Value





Consumers: assessment of the value of selected health care services and products

Percentage of consumers rating each of the following a very good or fairly good value

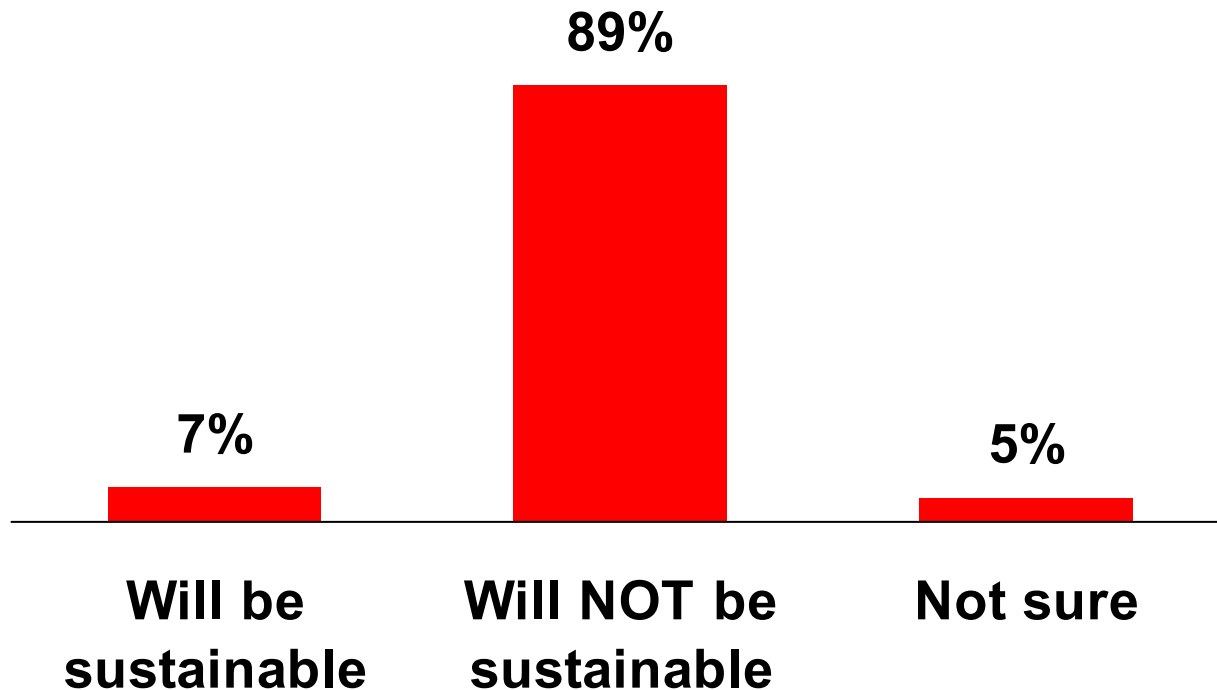


Source: Wall Street Journal/Harris Interactive. Aug 19, 2003.



Are U.S. premium drug prices sustainable?

Looking ahead 10 years, do you think it will be possible to sustain a system in which the price differential for pharmaceuticals between the U.S., Canada and Europe is as great as it is today?



Source: Harris Interactive survey of attendees of 2004 World Health Care Congress





Deconstructing “Value” (1)

- What is value?
- $\text{Benefit} \div \text{Cost}$
- **Benefit to whom?**
Patient; physician, payer, insurer, employer, government, public (?), politician.
- **Cost to whom?**
Patient, physician, payer, public (taxpayer), politician.
- Is “value” (for money) the same as cost-effectiveness? (If so . . .)



Deconstructing “Value” (2)

■ Clinical

- Mortality
- Morbidity
- Pain
- Mobility
- Quality of life
- Ease of use

■ Economic

- Price/Cost
- Savings (Pharmacoeconomics) – hospitalization, surgery, etc.

■ Psychological

- Compliance
- Doctor-patient relationship
- Patient satisfaction



Deconstructing “Value” (3)

Three different issues:

- Value of pharmaceuticals overall.
- Value of category of drugs (statins, PPI, etc.).
- Unique value of individual brand name products.



Deconstructing “Value” (4)

Value (Benefits ÷ Costs): **Compared to what?**

- Doing nothing?
- Hospitalization?
- Surgery?
- Other drugs?



What If You Don't Demonstrate Value?

- Patients and public will get (more) angry with you.
- Governments will be more hostile, less willing to listen and more likely to regulate/control prices, less supportive on re-importation.
- Employers and insurers will be more aggressive and less supportive.
- As a result your margins will fall.