



The Public Perception of the Pharma, Biotech and Device Sectors

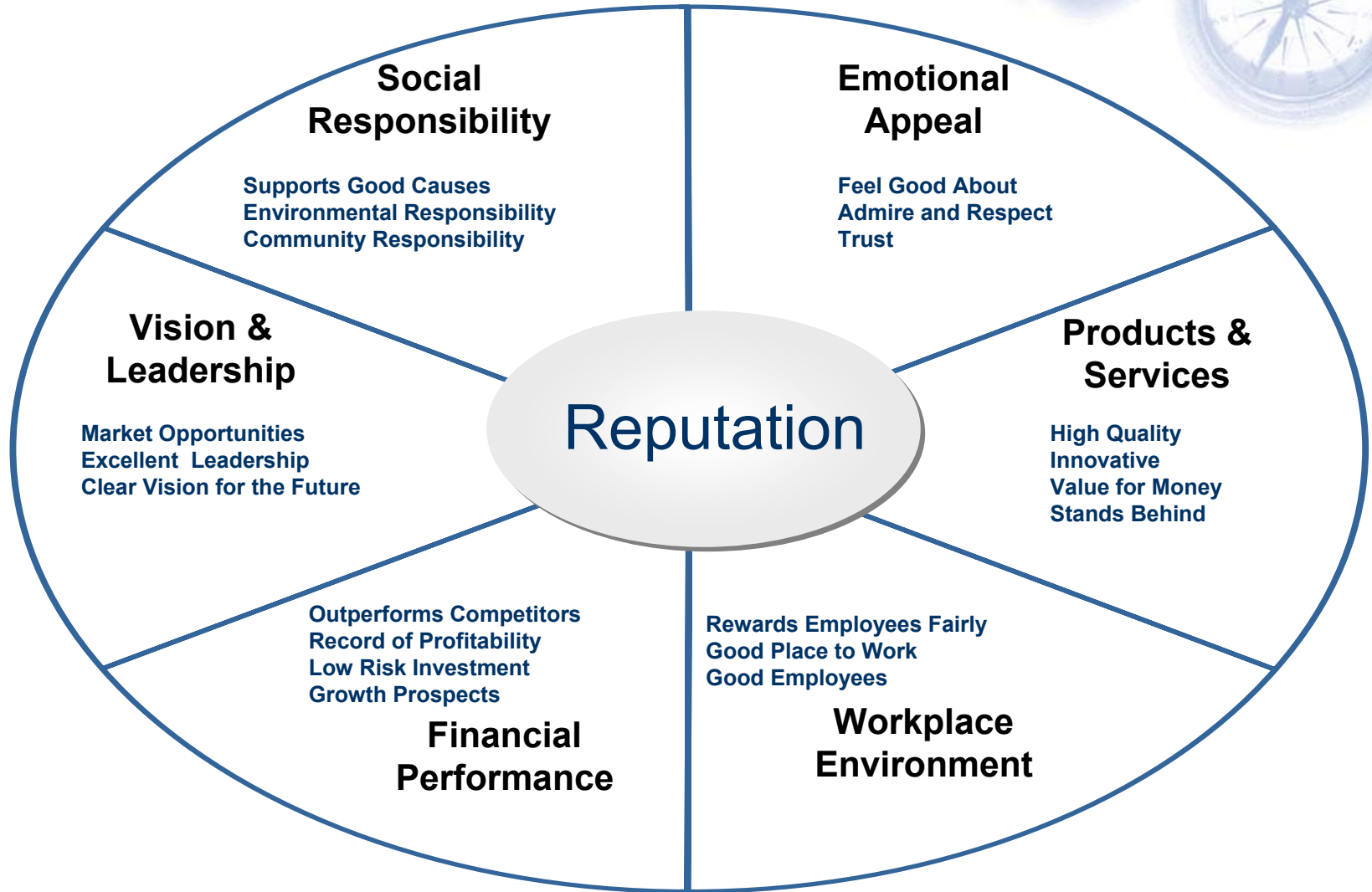
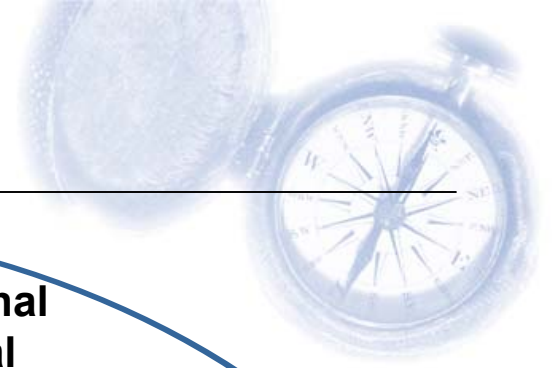
A Special Report Prepared for the Pharma Colloquium
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The Reputation QuotientSM (RQ)





The Annual RQ 2004 — The reputations of the most visible companies

"In Business Ranking, Some Icons Lose Luster"

The Wall Street Journal, November 15, 2004

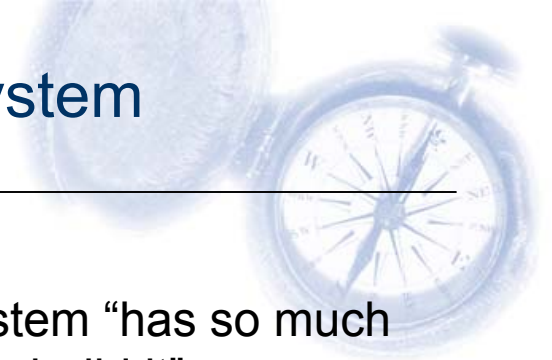
Rank 1 - 15	RQ	Rank 16 - 30	RQ	Rank 31 - 45	RQ	Rank 46 - 60	RQ
1. Johnson & Johnson	79.81	16. The Walt Disney Company	74.03	31. Sears, Roebuck, and Co.	70.06	46. Gateway	62.27
2. 3M Company	79.07	17. Starbucks Corporation	73.68	32. Best Buy Co.	69.15	47. ChevronTexaco Corporation*	62.22
3. The Coca-Cola Company	78.90	18. Target Corporation	73.25	33. McDonald's	68.56	48. Altria Group	60.58
4. The Procter & Gamble Company	78.26	19. Anheuser-Busch Companies	73.17	34. Apple Computer	68.26	49. AT&T Corporation	60.23
5. United Parcel Service (UPS)	78.24	20. Hewlett-Packard/Compaq	73.16	35. General Motors Corporation	68.18	50. AMR Corporation (American Airlines)	60.13
6. Microsoft Corporation	78.00	21. Southwest Airlines	73.08	36. Verizon Communications	67.71	51. Sprint Corporation	59.63
7. Sony Corporation	77.95	22. General Electric Company	72.66	37. J.C. Penney Company	67.56	52. Tyco International, Ltd.	59.35
8. FedEx Corporation	77.49	23. Unilever (Parent of Ben and Jerry's)	72.55	38. Ford Motor Company	65.64	53. Martha Stewart Living Omnimedia	58.36
9. General Mills	77.42	24. Pepsico	72.54	39. DaimlerChrysler	65.21	54. Bridgestone Corporation* (Parent of Brigestone/Firestone)	58.08
10. Honda Motor Co.	76.15	25. IBM Corporation	71.77	40. SBC Communications	65.05	55. Alticor* (Parent of Amway)	54.63
11. Intel Corporation	76.10	26. Pfizer	70.97	41. Citigroup Incorporated*	64.10	56. Adelphia Communications Corporation*	52.61
12. Dell Computer Corporation	76.00	27. Nike	70.57	42. Time Warner Inc.	63.89	57. Kmart Corporation	51.06
13. Toyota Motor Corporation	75.59	28. Wal-Mart Stores	70.56	43. Bank of America Corporation	63.56	58. Halliburton Company	50.25
14. Lowe's*	75.43	29. American Express Company*	70.47	44. ExxonMobil Corporation	63.09	59. MCI (formerly Worldcom)	43.53
15. Home Depot	74.77	30. The Boeing Company	70.40	45. Allstate Corporation*	62.46	60. Enron	29.03

* = New to the Annual RQ Survey and/or not measured in Annual RQ 2003.

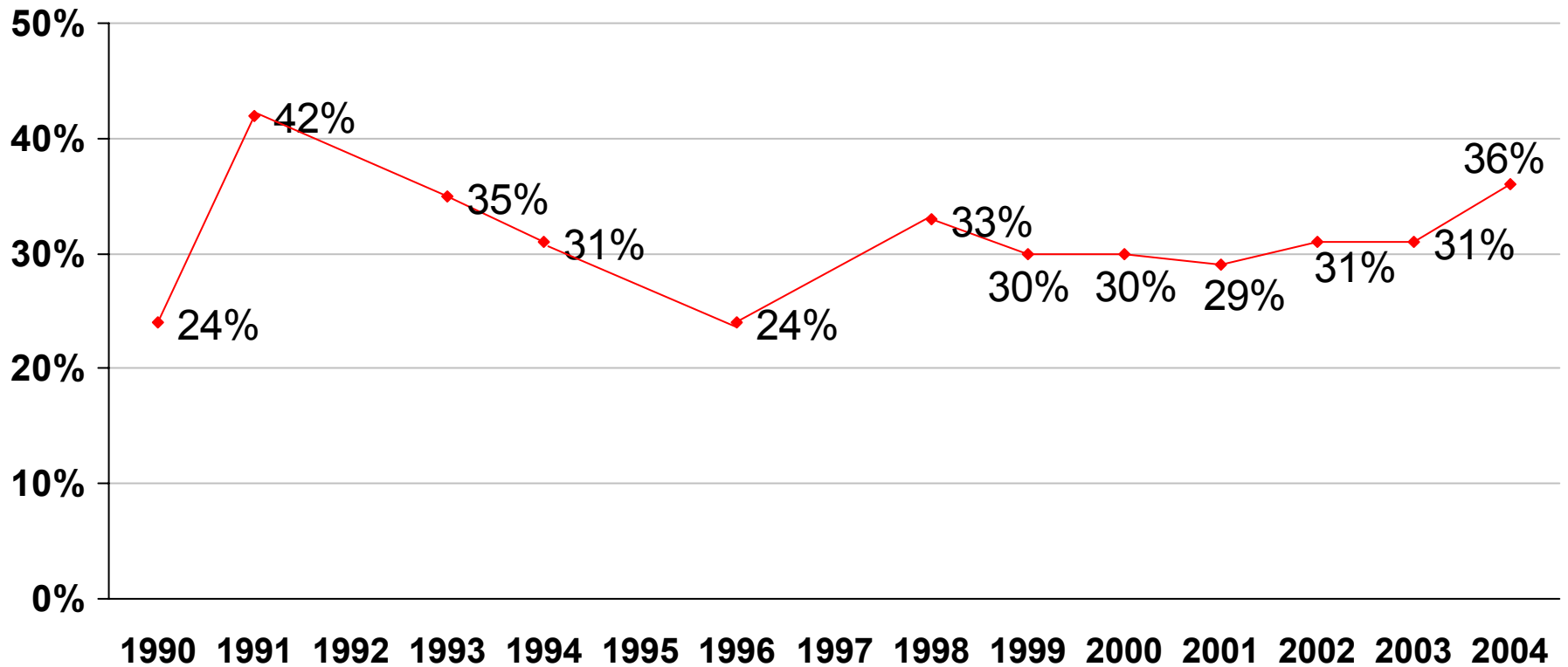
Note: Companies with identical RQs at one decimal place are ordered according to their RQ ranking at the second decimal place.



Attitudes toward the US health care system



Percentage that believe that the US health care system “has so much wrong with it that we need to completely rebuild it”



Source: Harris Interactive polls, 1990-2004.



Dissatisfaction is not at 1993 levels



Percentage dissatisfied with availability and affordability of health care in the US

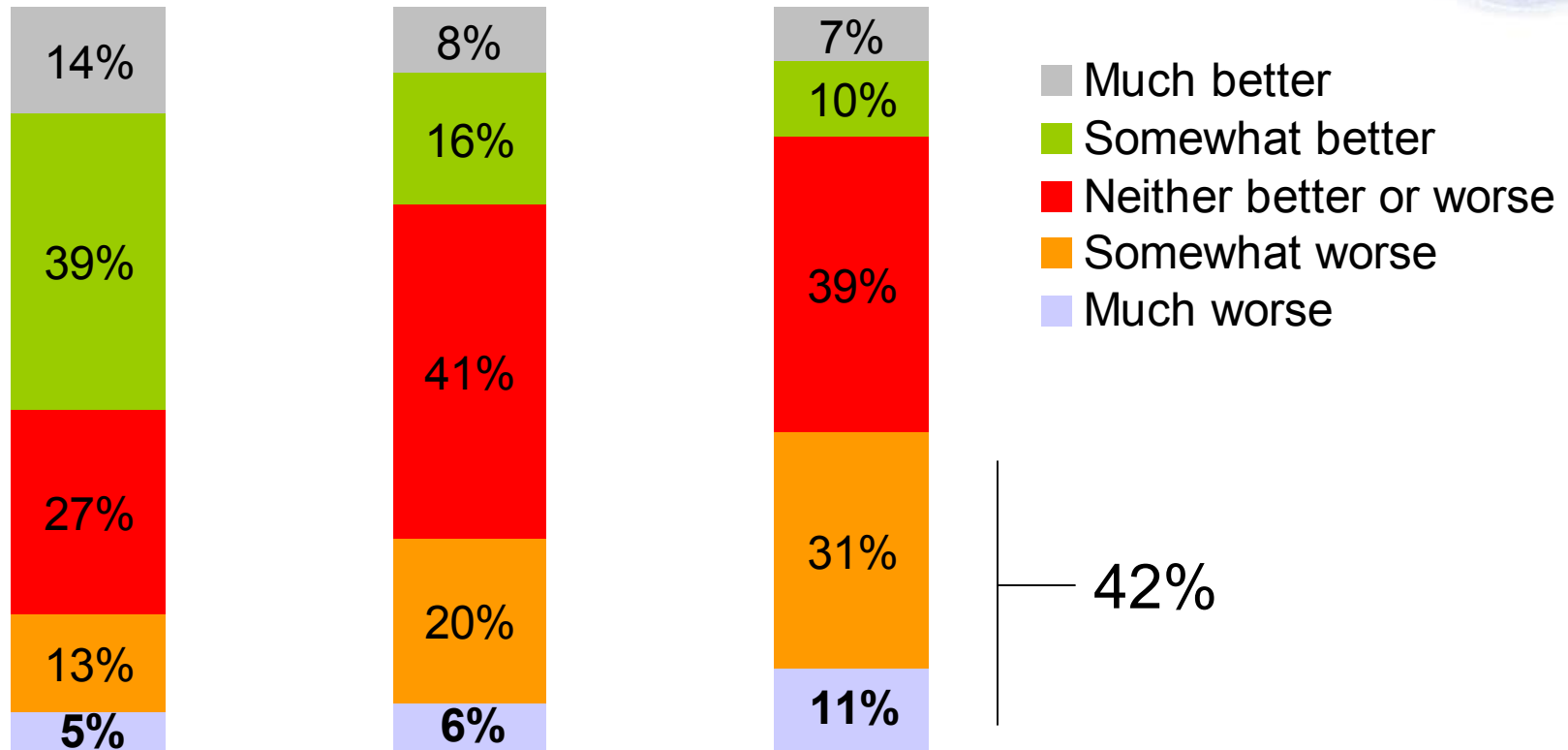


Sources: ^aBlendon, Benson, Challenge, 2004; ^bKaiser Family Foundation/Harvard School of Public Health poll, 2004.



Many consumers say their health insurance benefits are getting worse

Over the last 2-3 years, have each of the following been getting better or worse?



Salary or pay

Retirement benefits

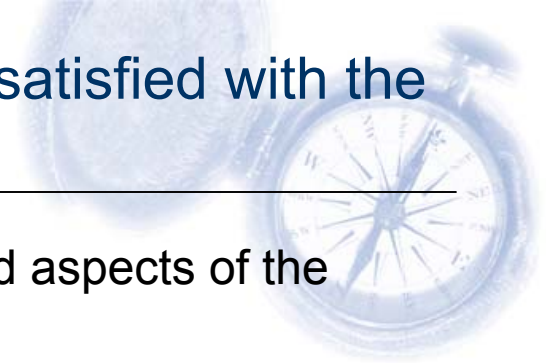
Health insurance benefits

Base: Have employer-provided health insurance

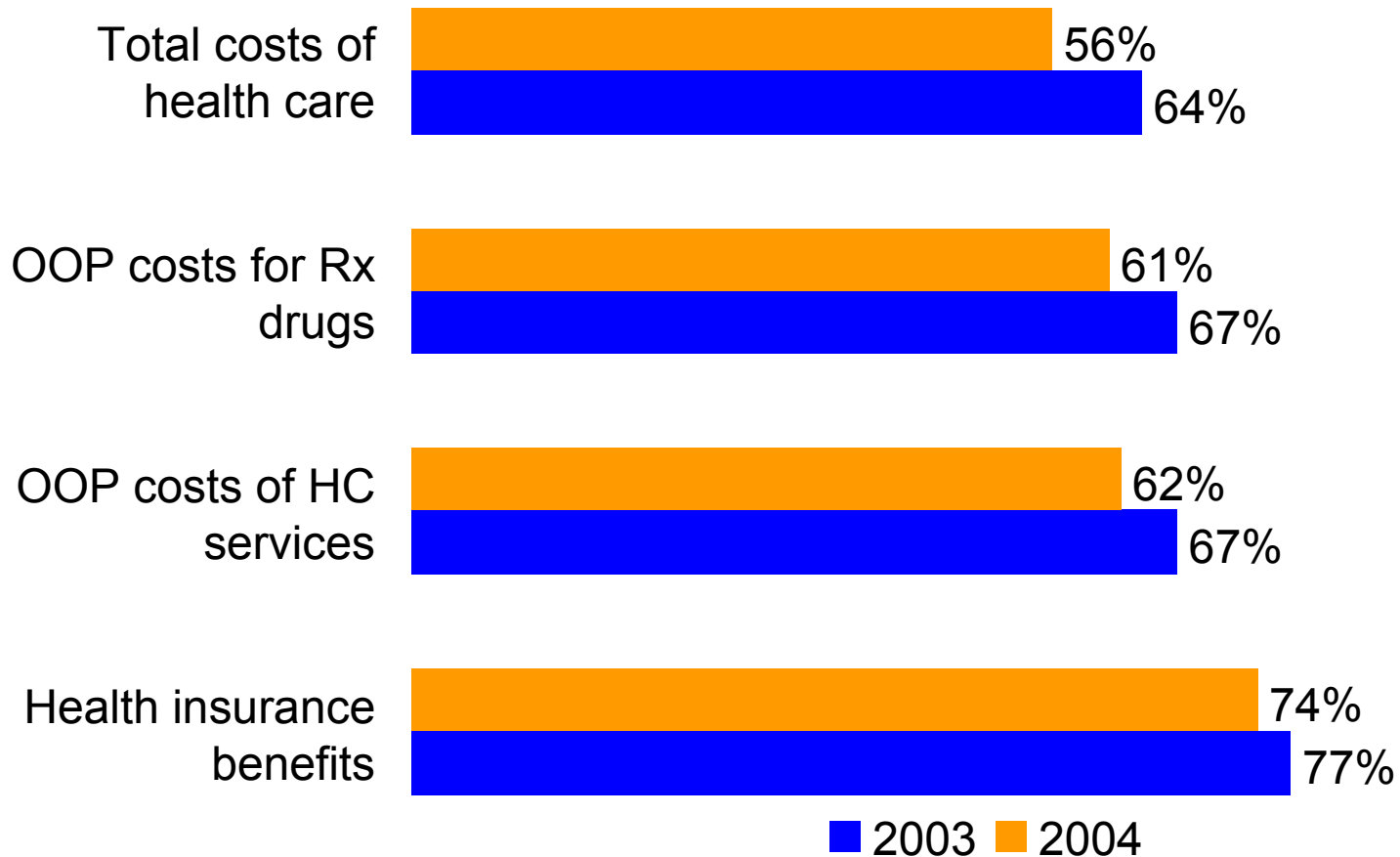
(Source: Wall Street Journal/Harris Interactive, September 26–30, 2003)



Consumers are becoming somewhat less satisfied with the costs of health care



Percentage of consumers that are satisfied with selected aspects of the health care system



Source: Harris Interactive Strategic Health Perspectives 2004.



It's not about the burden of cost (for most people)



“How difficult is it for you to pay each of the following?”

	Prescription Drugs	Health Insurance Premiums	Doctors Visits	Your Deductibles
	%	%	%	%
Very difficult	7	5	4	9
Somewhat difficult	18	14	12	18
Not very difficult	27	19	27	22
Not at all difficult	37	38	41	28
Don't pay	11	24	16	23

Base: Have health insurance

Source: Harris Interactive Strategic Health Perspectives 2004.



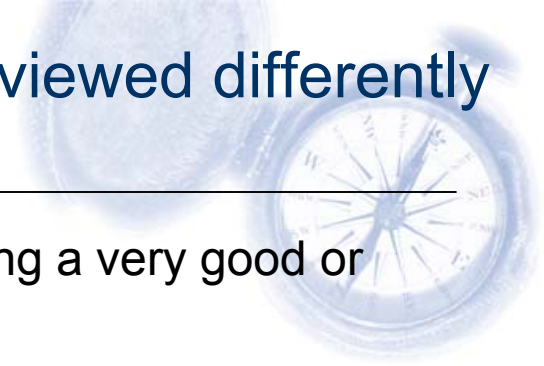
When do people get angry about prices and costs?



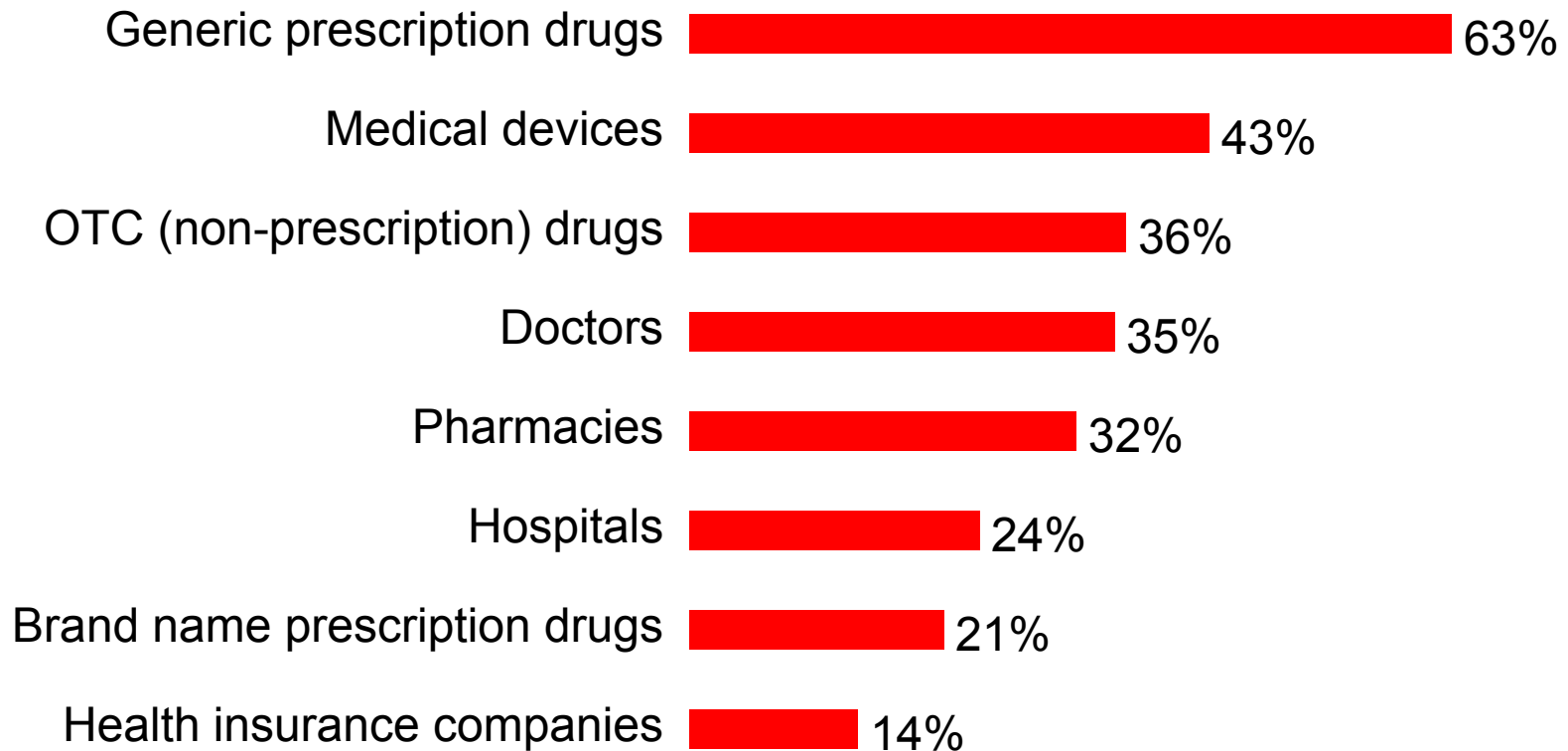
- When their out-of-pocket costs increase sharply
(It's the rate of increase, not the absolute \$s involved)
- When they pay more for the same, unimproved product or service
- When they don't think they are getting more benefits for more \$s
(i.e., value for money is declining)
- When big, profitable companies are benefiting



Health care products and services are viewed differently when it comes to providing “value”



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



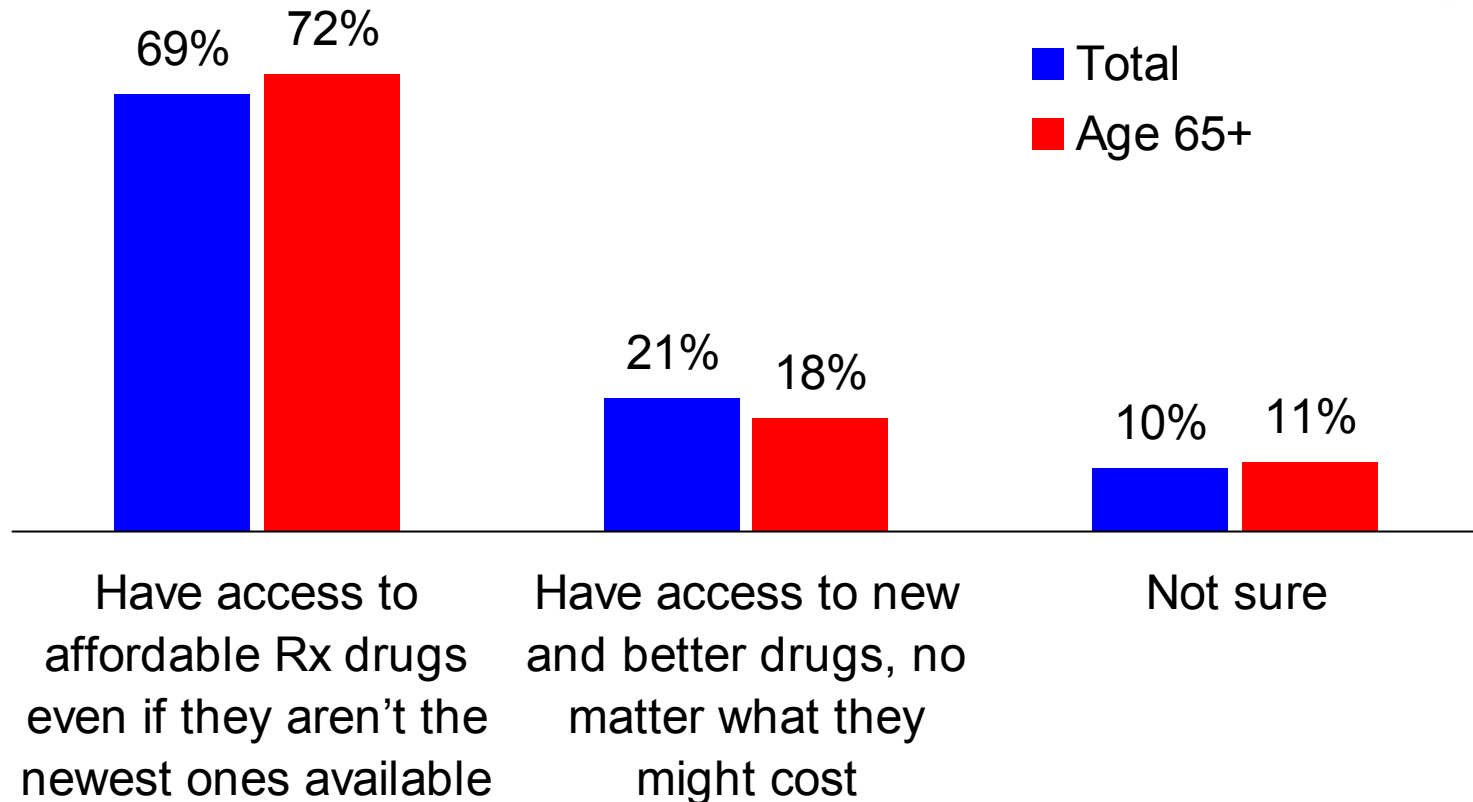
Source: Harris Interactive/Wall Street Journal. Aug 19, 2003



Most consumers value affordable drugs over innovative drugs



“Overall, do you think it is more important for people like you to...?”



Source: Wall Street Journal/Harris Interactive, May 2004

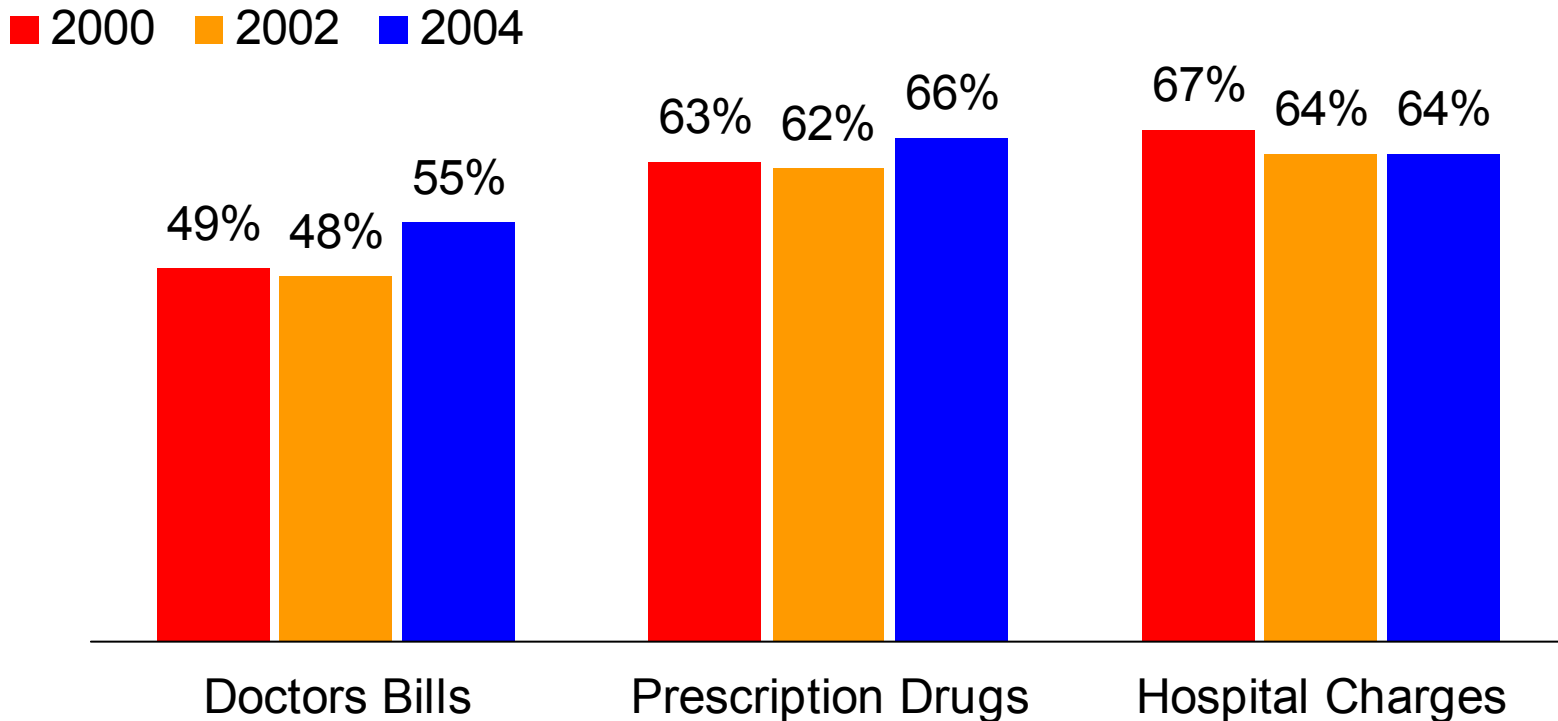




Most consumers believe drug prices and hospital charges are unreasonably high



Percentage saying the prices of each of the following are “unreasonably high”



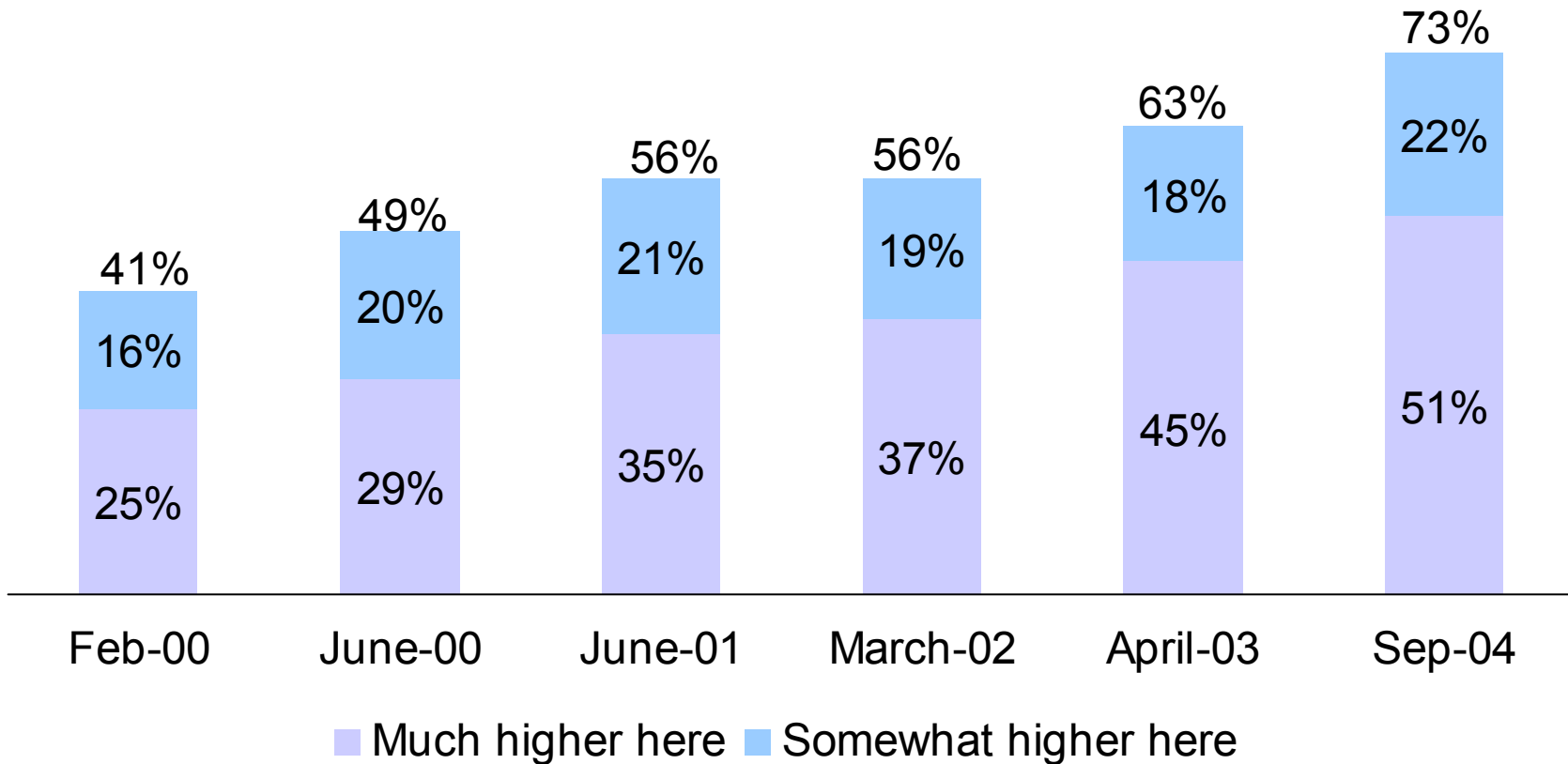
Source: Harris Interactive Strategic Health Perspectives 2004.



Awareness of international price differences in prescription drugs continues to grow



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?



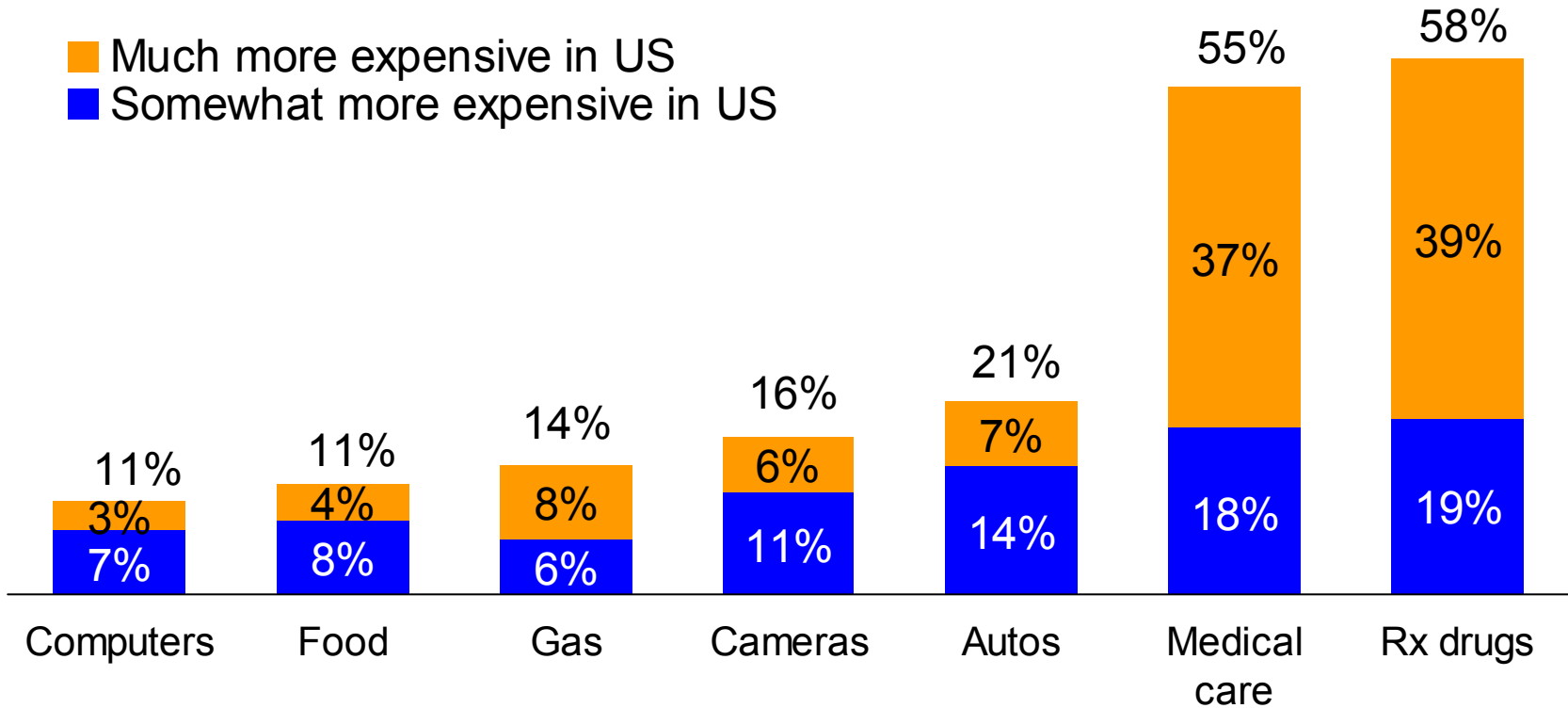
Source: Harris Interactive polls, 2000-2004.



Americans view medical costs as an 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.



Americans lack knowledge of health care costs

Healthcare Service/Product	Average Actual Cost	Average Estimated Cost	% Difference of Estimated from Actual	% Estimating Too Little	% Estimating Too Much
Statins	\$109	\$156	+43%	18% (<\$50)	21% (>\$200)
High Blood Pressure Medication	\$93	\$153	+65%	21% (<\$50)	21% (>\$200)
Primary Care Visits	\$80	\$97	+21%	24% (<\$50)	11% (>\$150)
Trip to the Hospital in an Ambulance	\$550	\$476	-13%	50% (<\$300)	16% (>\$750)
Blood Chemistry Test	\$300	\$143	-52%	73% (<\$150)	-
Hip Replacement	\$25,000	\$10,639	-57%	72% (<\$10,000)	-
Day/Night in Hospital	\$3,600	\$1,058	-71%	83% (<\$1,500)	-

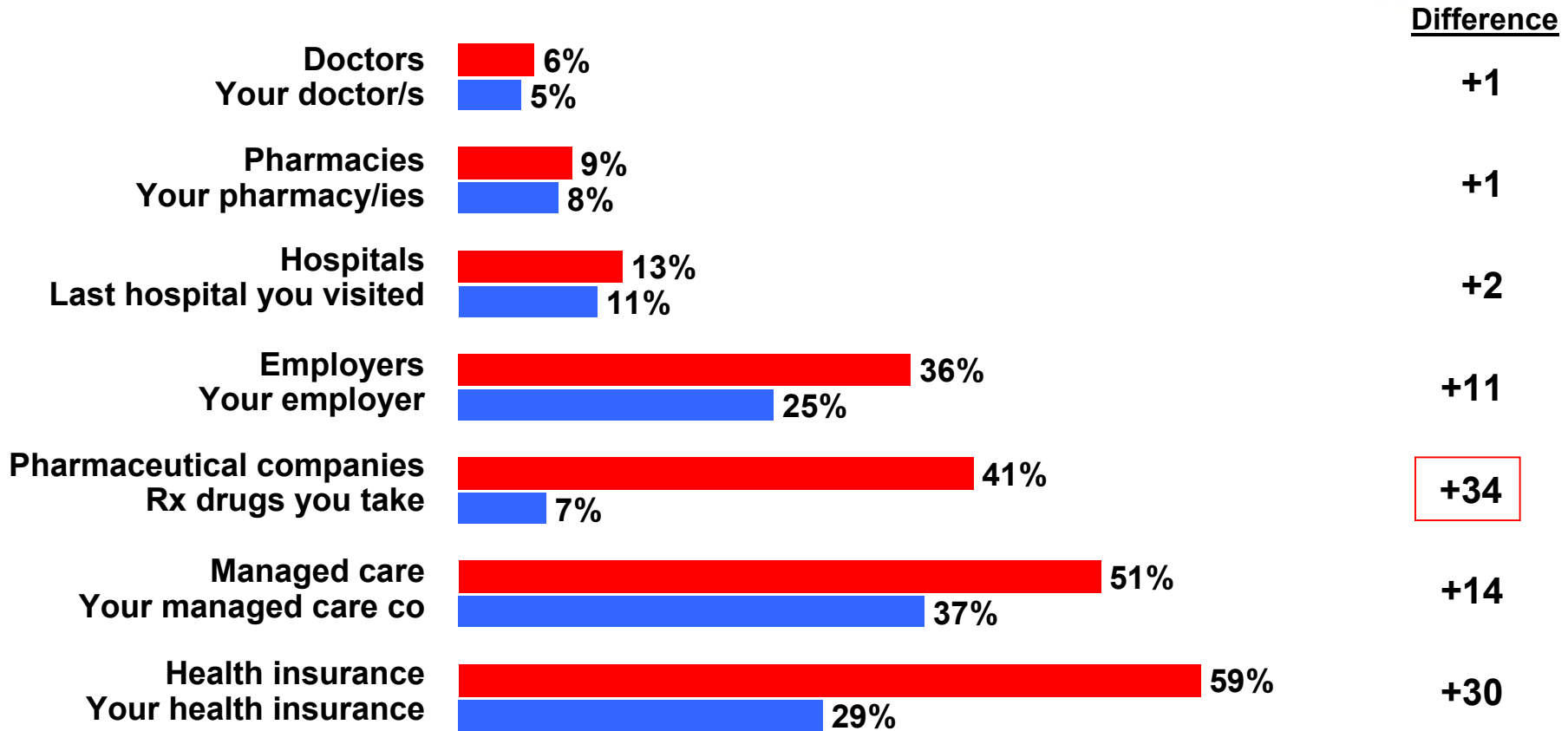
Source: Wall Street Journal/Harris Interactive, June 24-28, 2004



Public trusts companies far less than they trust their products and services



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



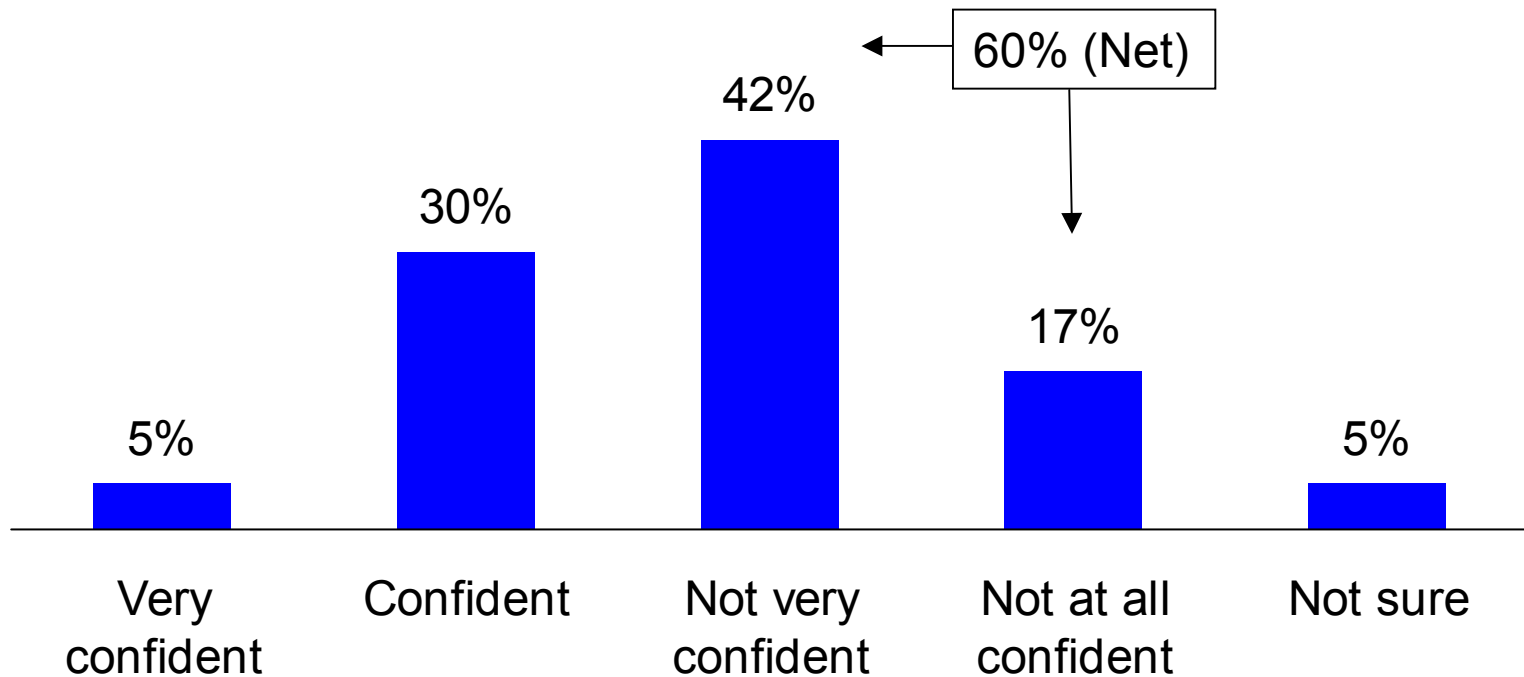
Source: Wall Street Journal/Harris Interactive, January 13-15, 2004





Most consumers lack confidence in drug companies to publish timely information on side effects

“How confident are you that drug companies will publish any information they have about the side effects of any of their drugs as soon as they have that information?”



Source: Wall Street Journal/Harris Interactive, January 5 - 7, 2005



Large majorities believe pharmaceutical pricing practices are 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

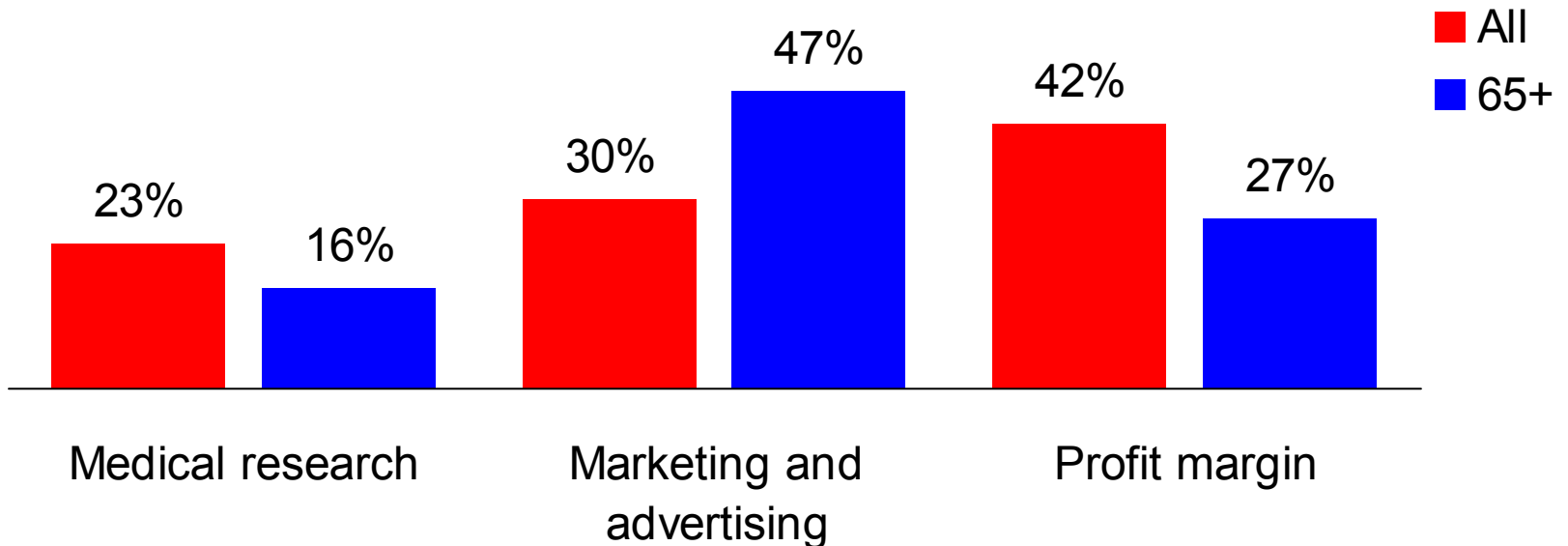
Source: Harris Interactive Strategic Health Perspectives 2004.



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?



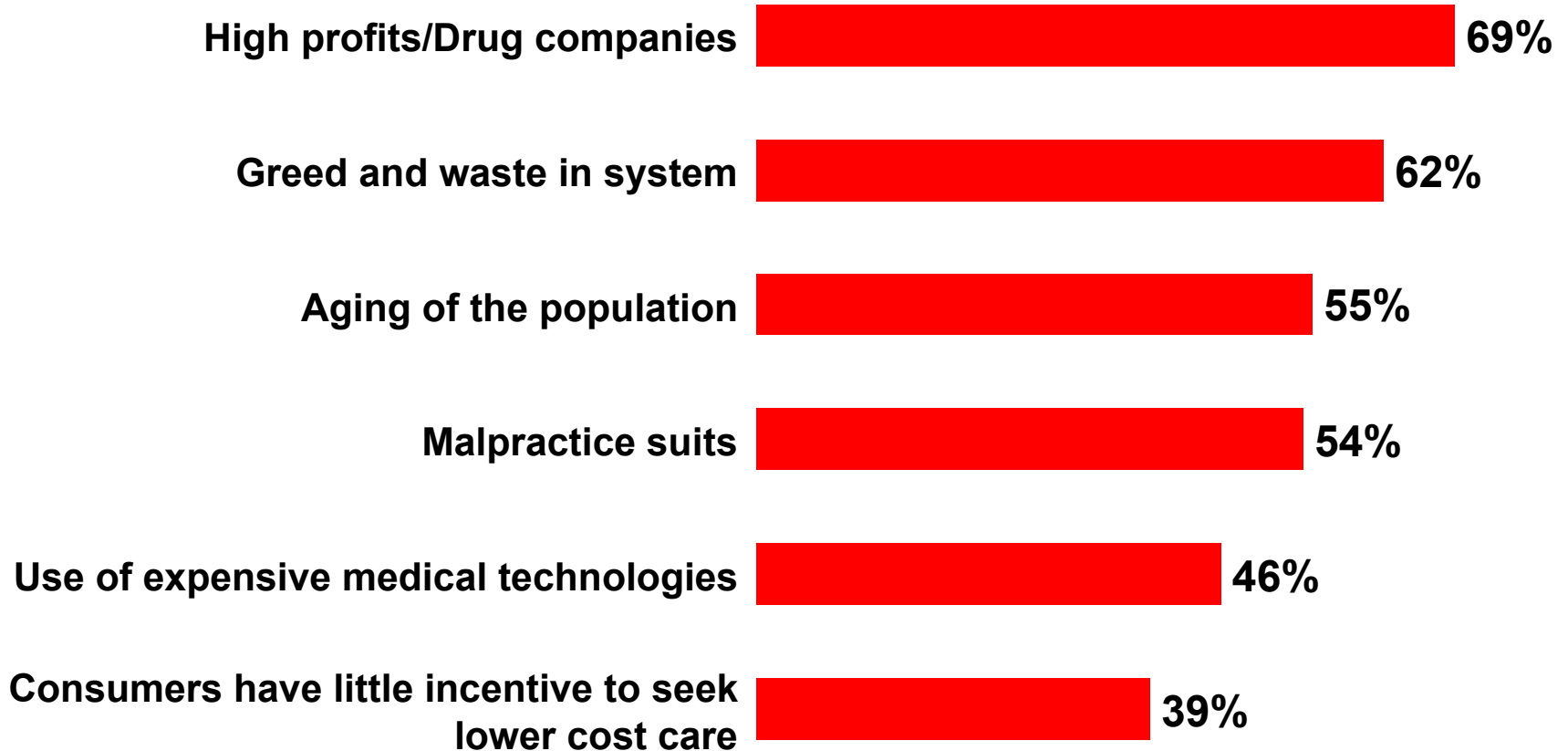
(Source: Harris Poll April 2003).



Consumer perception of cost drivers



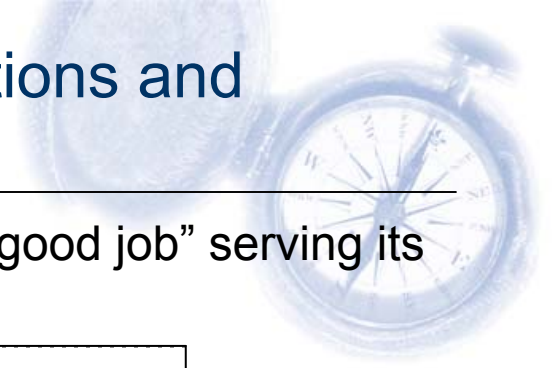
% of adults saying selected items are very important factor in rising health care costs



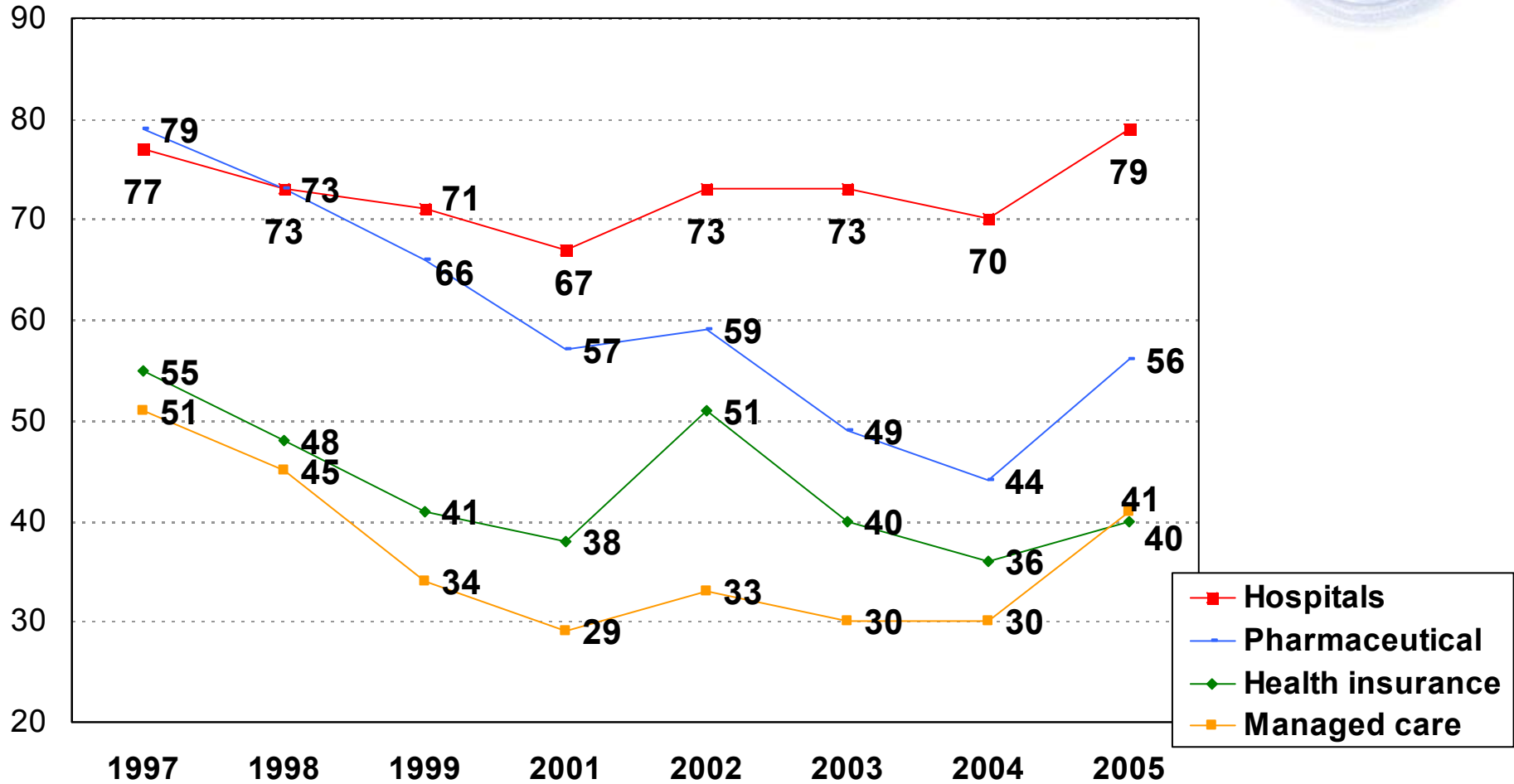
Source: Harvard School of Public Health/Kaiser Family Foundation, October 2004.



American's views of health care institutions and industries



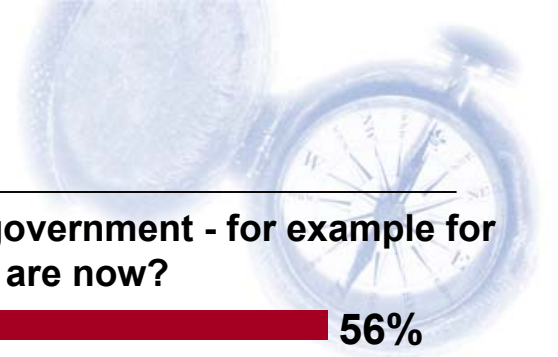
Percentage of consumers that say each industry does a "good job" serving its customers



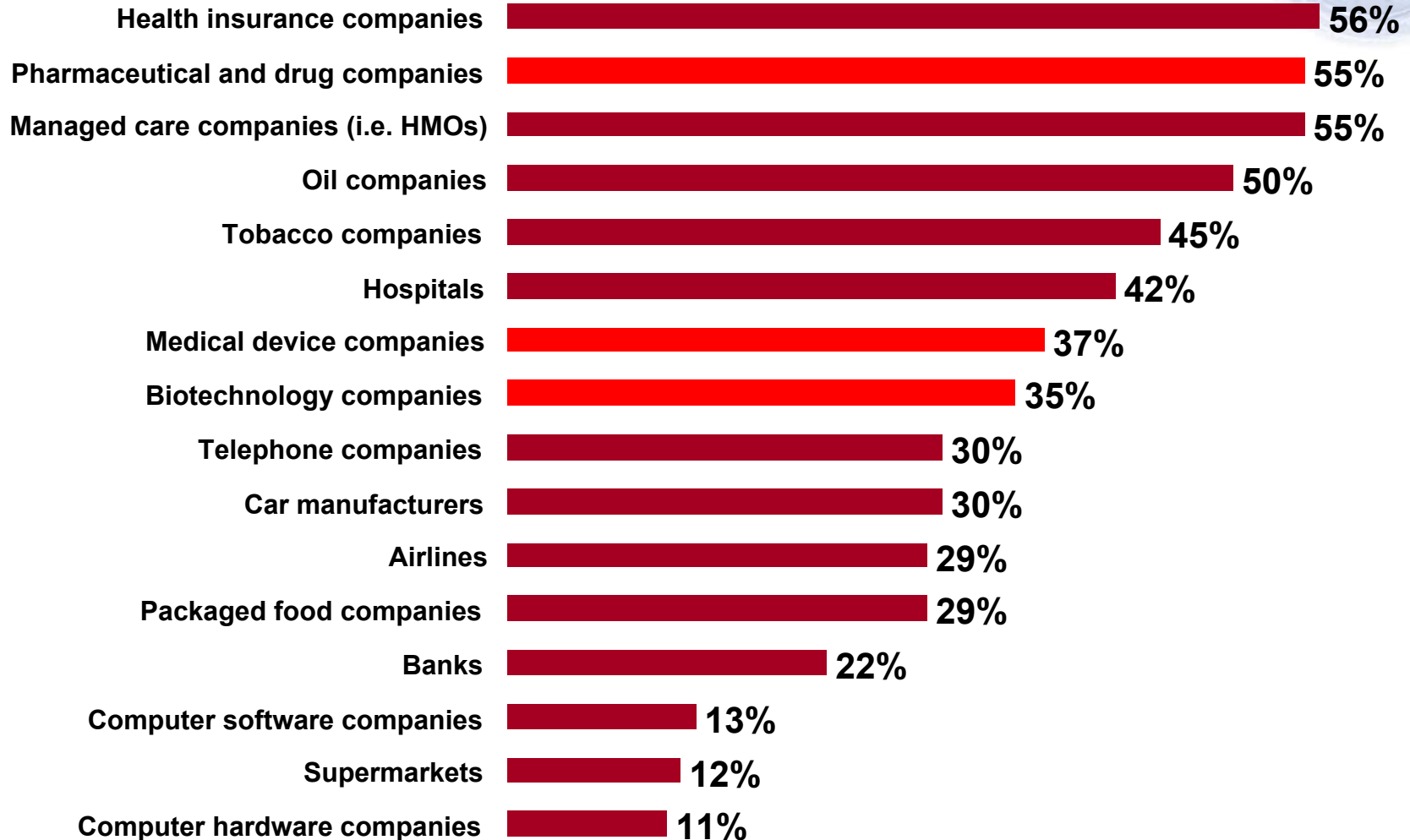
Source: Harris Interactive polls, 1997 - 2005



Who does the public want to regulate?



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?





Medical advances the public has noticed

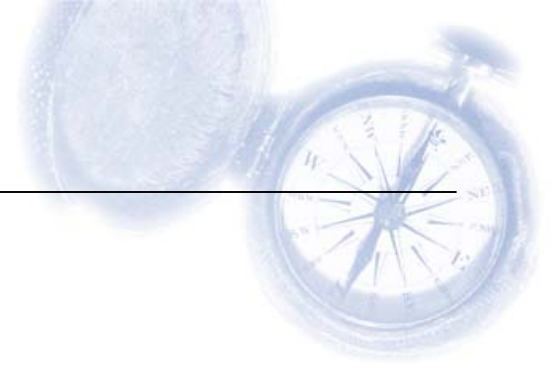


- “Improvements in surgery”
 - (e.g., less invasive treatment/testing, improved surgical techniques, organ transplants)
- “New treatment technologies”
 - (e.g., treatments for heart disease, joint replacements, pacemakers, defibrillators, improved prosthetics)
- “Imaging diagnostics”
 - (e.g., MRIs, CAT scans, PET scans, ultrasounds)
- “Improvements in prescription drug treatments”
 - (e.g., improvements in medications, HIV/AIDS treatments, Diabetic treatments/medications)



Demonization of pharmaceuticals

What others say about the industry



- Growing percentage of growing costs
- “Outrageous prices”
- Most profitable large industry
- “Only care about profits”
- “Strong-arm marketing”
 - To public
 - To doctors
- “Don’t care about those who can’t pay, (poor and third world)”
- Quality production problems
- “Put their interests above those of patients even when it puts patients at risk”
- “Ruthless lobbying – legal maneuvering”
- Too many “me-too” drugs with marginal benefits



The impact of demonization



- You are popular target for criticism – by the media and politicians
- It's harder to get federal or state governments to support you on legislation and regulation
- It increases pressure to cut your prices and restrict marketing
- It makes it easier for health plans to increase co-pays and co-insurance
- Employers and plans get mad at you (less support from corporate America?)
- Increased non-compliance (including not filling prescriptions, taking smaller or less frequent doses)
- Increased resistance to your marketing and reduced demand
- Easier for legislators and regulators to interfere
- Marketing and pricing practices become a target for increased scrutiny...by everyone



Future drivers of reputational challenges (1)



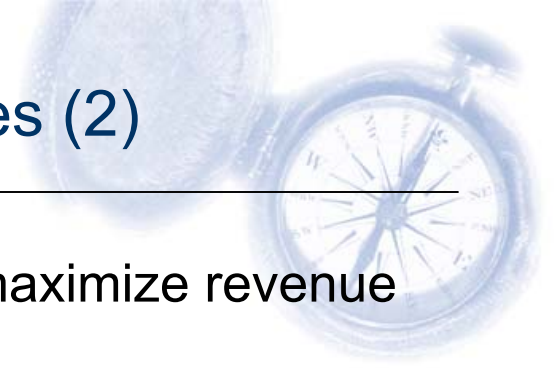
- Growing demand for “look good – feel good” medicine and alternative treatments
 - Cosmetic surgery, Botox, etc.
 - Viagra / Cialis / Levitra
 - Minerals, vitamins, food supplements
 - “Anti-aging” medicine

- Impact of new medical technology
 - New drugs
 - New devices and implants
 - New imaging techniques
 - New diagnostics
 - Genetic testing and gene therapy

- Efforts of consultants, insurers and employers to “build a better mouse trap”
 - High deductible / “consumer-directed” health plans
 - HSAs
 - Reduce cost of preventive care, maintenance drugs for chronic diseases (Pitney-Bowes)
 - Disease management
 - Demand management
 - Wellness programs



Future drivers of reputational challenges (2)



- The desire of “medical-industrial complex” to maximize revenue and profit
 - Pharmaceuticals
 - Devices/Diagnostics/Implants/Imaging
 - Hospitals
 - Nursing Homes
- Health care providers’ desire to maximize revenue and autonomy
 - From physicians and other professionals
 - To unskilled hospital workers, aides and cleaners



Challenges and opportunities looking forward



- **Benefit design that supports intelligent consumer engagement**
 - (e.g., Pitney Bowes, Aventis/APhA Foundation Patient Self Management Project, RxImpact)
 - Preventive safe harbor
 - Medicare Part D
 - Medicare MTMPs (Medication Treatment Management Programs)
- **Pay-for performance**
- **Quality initiatives**
 - AHRQ
 - Leapfrog
 - Specialty societies
 - Etc.
- **Electronic prescribing**
- **Marketing practices**
 - Physicians
 - Consumers
 - Payers
- **Demonstrate value!!**



Thank-you!

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