

MAINE STATE LEGISLATURE

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Reporting of Prescription Drug Marketing Costs Calendar Year 2006 and 2007

*A Report by the Department of Health and Human Services
Office of MaineCare Services*

Submitted in accordance with Maine State Services Manual, 10-144,
Chapter 275, Section 2

**State of Maine
Department of Health and Human Services
Office of MaineCare Services
Maine's Prescription Drug Marketing Rule and Statute: 22 M.R.S.A. 2698-A**

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Introduction

The Department of Health and Human Services, Office of MaineCare Services (‘the Department’) is required by Section 2.06-1 to

“...provide an annual report, providing information in aggregate form, on prescription drug marketing expenses, to the Maine Legislature and the Attorney General by November 30th of each year, starting calendar year 2007. In preparing such annual report, the Department shall designate a person to review the report before publication to ensure against disclosure of a trade secret of any manufacturer or labeler that has filed a report in compliance with these rules.”

The Department is pleased to present the annual report for prescription drug marketing costs reported in Calendar Year 2008 for Calendar Year 2007, as well as drug marketing cost reported in 2007 for calendar year 2006 business.

Manner of Reporting:

A Manufacturer or labeler of prescription drug dispensed in this State that employs, directs or utilizes marketing representatives in this State shall report marketing costs for prescription drugs in this State.

Because pharmaceutical manufacturers are not required to disclose information regarding representatives working in the State of Maine, the Department is unable to identify which manufacturers are required to report their marketing expenditures. Therefore, the Department relies on self reporting. The Department believes that marketing spending by the industry consequently is under-reported.

Total Marketing Expenses:

According to the 2007 reports, 95 manufacturers spent more than \$68 million in Maine on speaker and consulting fees, travel, employee and contractor expenses, and direct payments to Maine physicians, hospitals, universities, and others for the purpose of marketing their products. This represents a 17% decrease from reported expenditures in 2006.

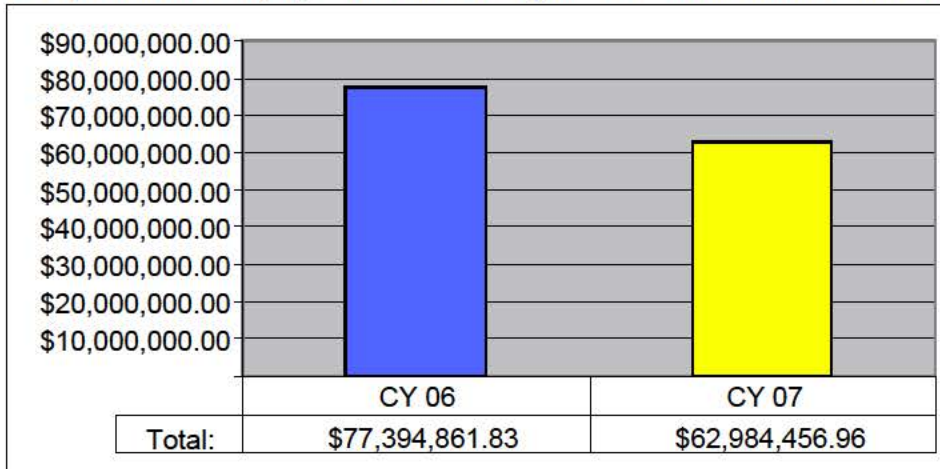
The decline in overall spending on marketing in Maine was driven by a decline in employee and contractor expenses, which is the largest category of specific marketing expenses reported by the manufacturers.

Employee Compensation:

Manufacturers must submit their employee compensation and contractor payments within their report. These expenses are reported in total aggregate form and only apply to the expenses that pertain to activities within Maine or to recipients of the advertising or promotional activities who are residents of or are employed in Maine.

Total employee and contractor expenses for 2007 were over \$62.5 million. This represents a 19% decrease in employee compensation from 2006 and is the only category of marketing expense that declined from 2006. This appears to be consistent with a national trend.

A comparison of the employee and contractor expenses in 2006 and 2007 is as follows:

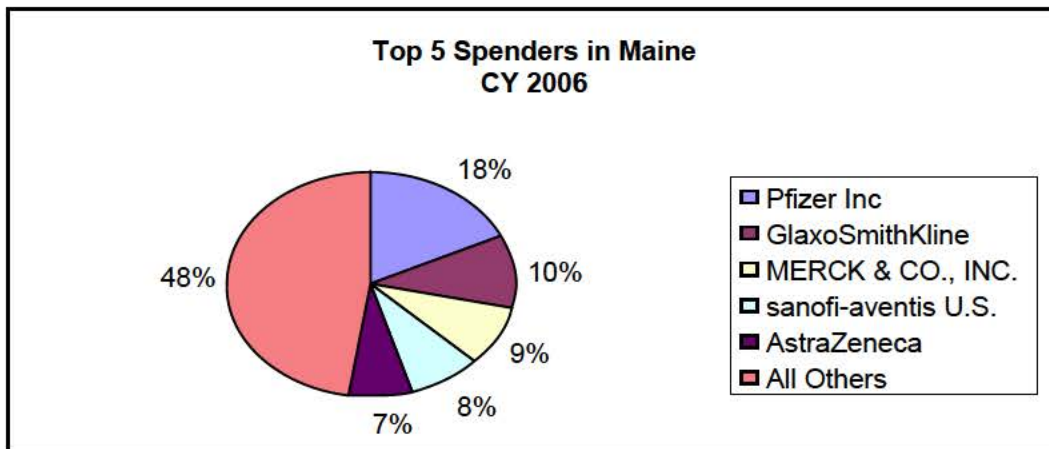


Spending Summary:

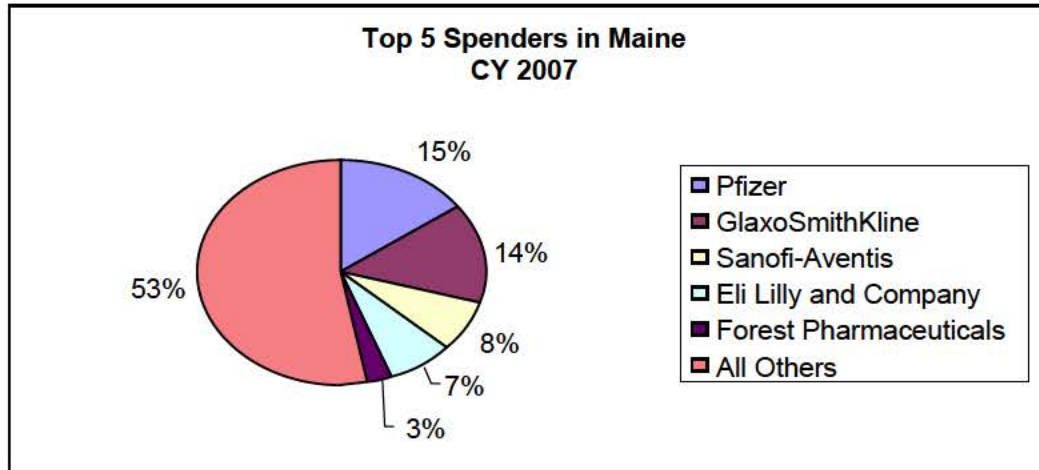
The five companies that reported the highest employee and contractor expenditures in 2006 and 2007:

| 2006 | 2007 |
|---------------------------|---------------------|
| 1. Pfizer | 1. Pfizer |
| 2. GlaxoSmithKline | 2. GlaxoSmithKline |
| 3. Sanofi-Aventis | 3. Merck & Co. Inc. |
| 4. Eli Lilly and Company | 4. Sanofi-Aventis |
| 5. Forest Pharmaceuticals | 5. AstraZeneca |

Spending by these five manufacturers represent 52% of the total amount for employee and contractor expenses reported for 2006



Spending by these five manufacturers represent 47% of the total amount reported for 2007 in employee and contractor expenses,



Pharmaceutical Marketing Expenditures

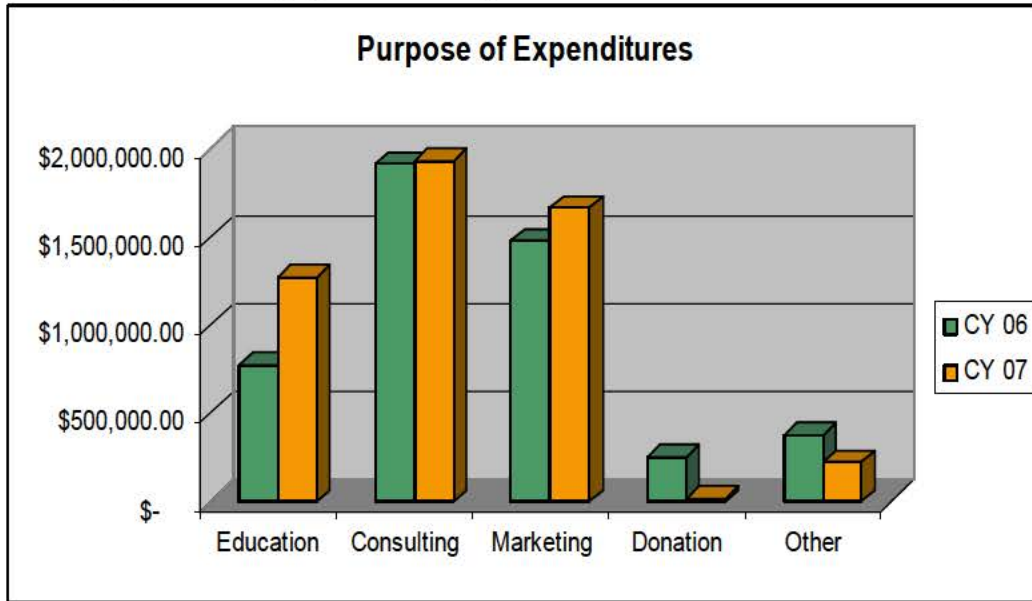
In 2007, manufactures reported spending over \$5.1 million on speaker and consulting fees, travel expenses, and other direct payments to Maine physicians, hospitals, universities, and others who are authorized under Maine law to prescribe, dispense, or purchase pharmaceutical products in Maine. This represents a 6.5% increase over similar direct payments in 2006, which totaled over \$4.8 million. The average expenditure per company for 2007 was over \$50,000. This represents an increase of 19 % over the average expenditure per company in 2006, which was over \$45,000.

Payments by Purpose of Expenditures

The reporting format required drug manufacturers to identify the purpose of the expenditures as education, consulting, speaking, marketing, donations, and other items. Please note that these totals exclude employee compensation.

The largest expenditure in 2007 was for speaker and consulting fees, which amounted to just under \$2 million or 38% of the total expenditures. The second largest expense in 2007 was explicitly for marketing, which amounted to \$1.6 million or 32.5% of the total. The third largest expense was for education, which accounted for \$1.2 million or 25% of the total. The balance of \$246,000, or 4.5%, was spent on donations and other purposes.

A comparison of the purpose of such expenditures in 2006 and 2007 is as follows:



In 2007, \$1.2 million was spent in speaker and consulting payments made directly to Maine physicians. The highest-compensated Maine physician was a specialist who received in excess of \$122,000 in speaker and consulting fees. Three of the top paid physicians received 28% of the total speaker and consulting payments reported.

Conclusion

As this report demonstrates, the Maine reporting requirement provides useful information regarding pharmaceutical manufacturer's spending within the Maine medical community to market pharmaceuticals.

Overall marketing spending in Maine by drug manufacturers declined in 2007 from the previous year, but this was due to a reduction in spending on employees and contractors. Employee and contractor expenses declined 19% while all other expenditures increased by 6%.

Fewer manufacturers reported to Maine for 2007 than in 2006, although this may have been a reflection of fewer companies utilizing sales representatives in Maine.

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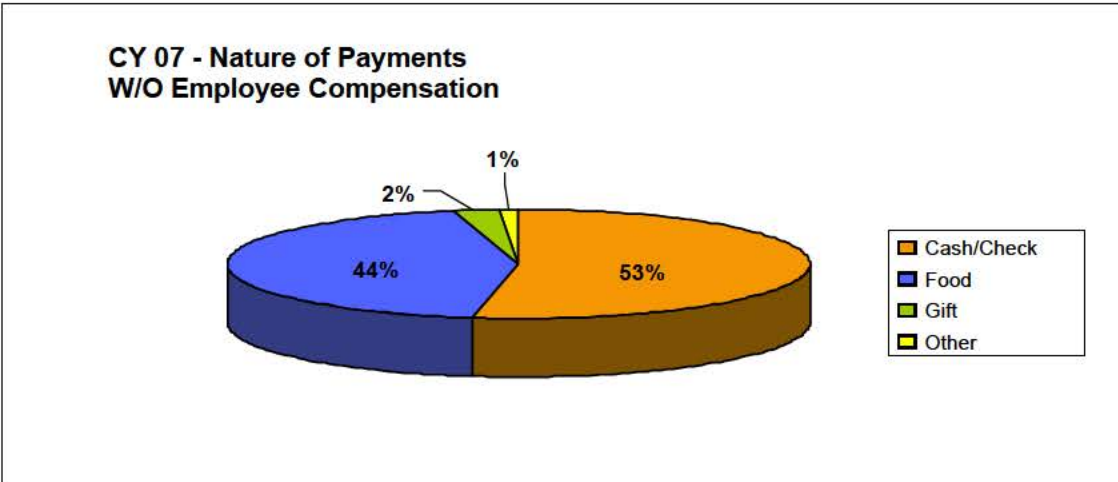
Maine can assume that these expenditures directly affect prescribing habits as well as the cost of health care to MaineCare and residents of the State. Because the Department believes that there is an effect to the cost of prescribing, the Department is committed to educational programs such as Academic Detailing in conjunction with the Maine Medical Association. In addition, the Department is working with other advocacy groups and consulting groups that are established with MaineCare such as the Drug Utilization Committee and the Psychiatric Work Group to restrain the growth in prescription drug costs in Maine.

Creating a registry of manufacturers who intend to market in the State of Maine would help address the issue of underreporting. A registry would enable the Department to track manufacturers' marketing more accurately so that it can better assist prescribers through education using evidence-based, non-commercial sources of data on the latest drug findings.

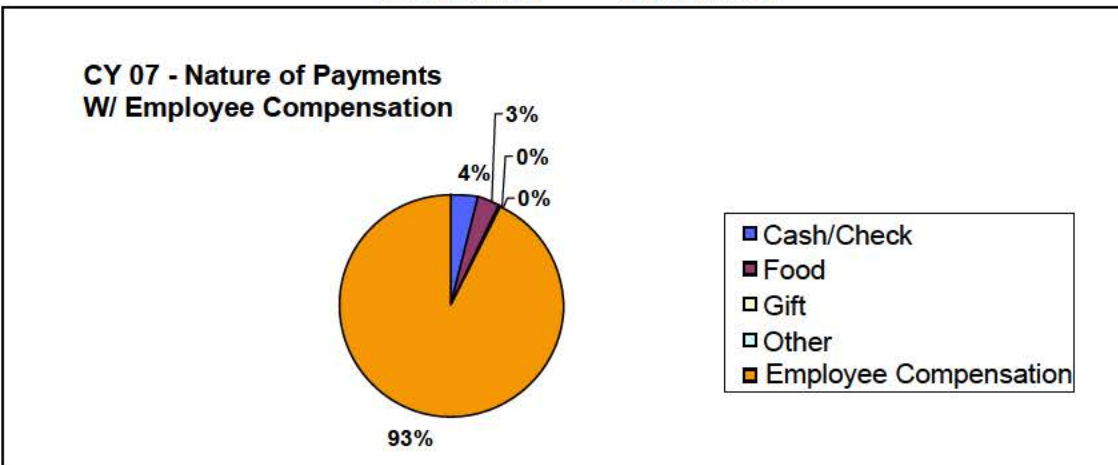
Appendix:

**Table 1
2007 – Nature of Payment**

| Nature | Amount | % of Total |
|------------|----------------|------------|
| Cash/Check | \$2,681,900.54 | 53% |
| Food | \$2,255,992.88 | 44% |
| Gifts | \$119,464.96 | 2% |
| Other | \$58,184.66 | 1% |



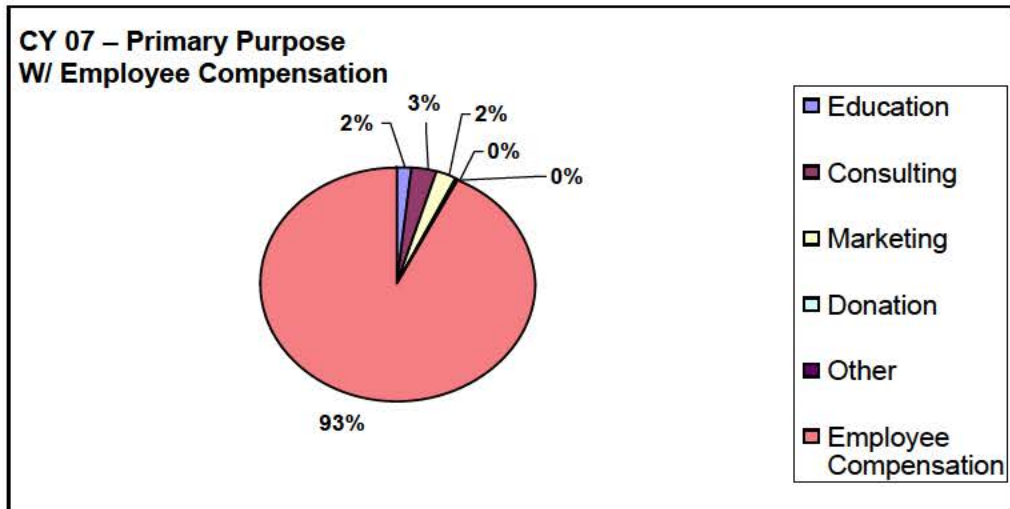
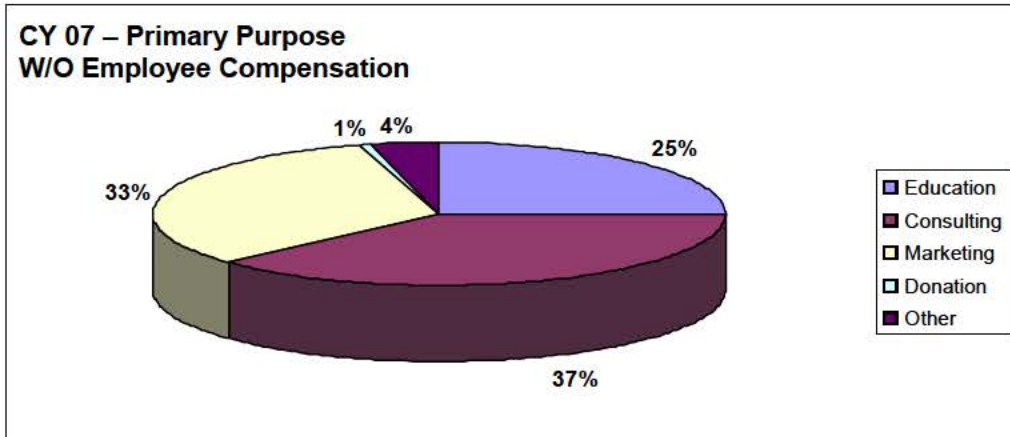
Total Amount \$5,115,543.04



Total Amount \$68,100,000.00

Table 2
2007 – Primary Purpose of Payment

| Purpose | Amount | % of Total |
|---------------------|----------------|------------|
| Consulting/Speakers | \$1,933,841.46 | 38% |
| Marketing | \$1,663,419.62 | 32.5% |
| Education | \$1,271,921.93 | 25% |
| Other | \$224,828.03 | 4% |
| Donations | \$21,532.00 | .5% |



Total Amount \$68,100,000.00