

MAINE STATE LEGISLATURE

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*Maine People Living
Safe, Healthy and Productive Lives*

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Reporting of Prescription Drug Marketing Costs Calendar Year 2008

*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**

Caring..Responsive..Well-Managed..We are DHHS.

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Foreword

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

“...By January 1, 2008 and every 2 years after that date, the department shall provide a report to the Legislature and Attorney General, providing information in aggregate form, containing an analysis of the data submitted to the department, including the scope of prescription drug marketing activities and expenses and their effect on the cost, utilization and delivery of health care services and any recommendations with regard to marketing activities of prescription drug manufacturers and labelers.”

The Department is pleased to present the annual report for prescription drug marketing costs reported for Calendar Year 2008, as well as a comparison to prior years reported.

Background

A Manufacturer of prescription drugs dispensed in this State that employs, directs or utilizes marketing representatives in this State shall report marketing costs for prescription drugs, by labeler number to the Department each year no later than July 1.

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 and must rely on self reporting. Consequently, marketing spending by the industry may be under-reported.

Marketing Expenses

A summary of total marketing expenditures by calendar year (CY) is reported below. These totals represent dollars spent by manufacturers on speakers, consulting fees, travel, employee and contractor expenses, and direct payments to Maine physicians, hospitals, universities, and others for the purpose of marketing their products. A further breakdown of expenditures for high level categories follows this summary.

Marketing expenditures for (CY) 2008:

- 106 manufacturers representing 187 labelers reported expenditures of \$90.6 million. This is a 24% increase from expenses reported in 2008; however, we also experienced an increase in the number of manufacturers who reported expenditures.

Marketing expenditures for (CY) 2007:

- 95 manufacturers spent more than \$68 million. This represents a 17% decrease from reported expenditures in 2006.

Marketing expenses for (CY) 2006:

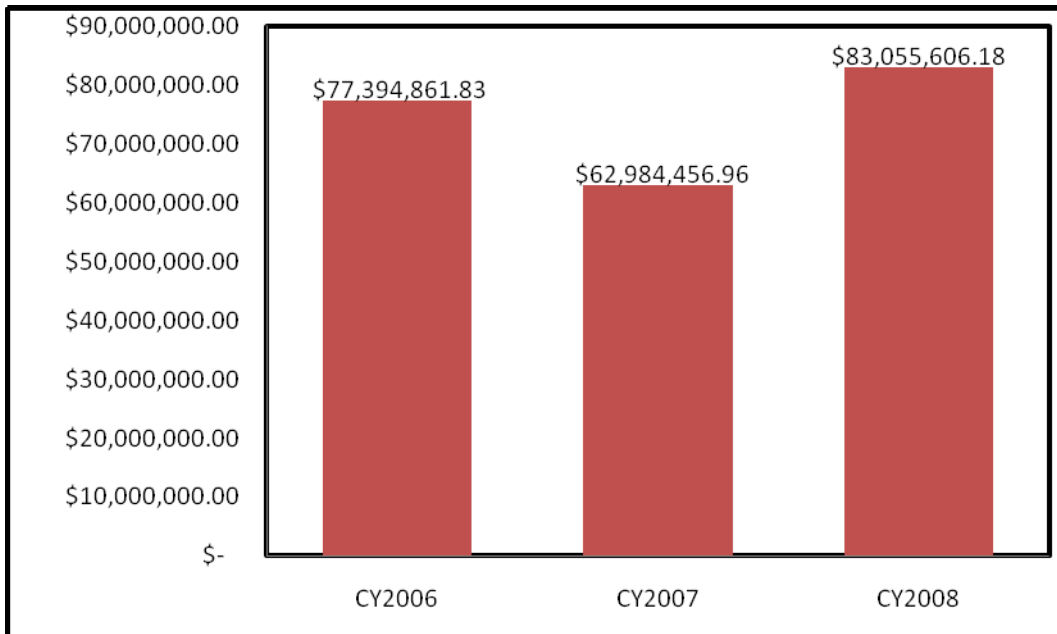
- 105 Pharmaceutical Manufacturers, representing 148 labelers spent \$84 million.

Breakdown of expenditures in high level categories:

Employee Compensation

Manufactures must submit their employee compensation and contractor payments separately. These expenses are reported in total 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.

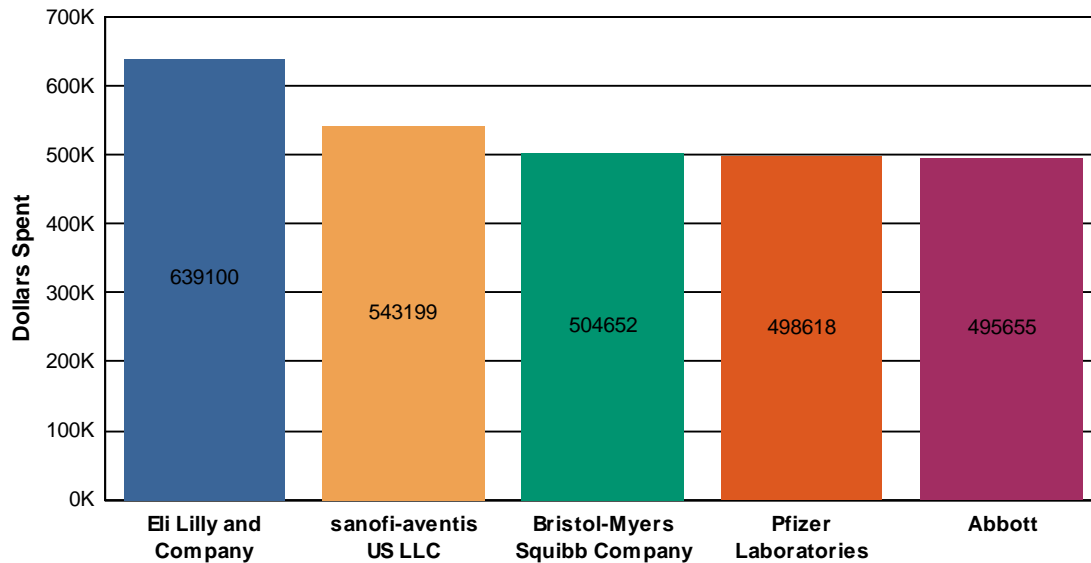
Total employee and contractor expenses for CY 2008 were over \$83 million.



Spending Summary

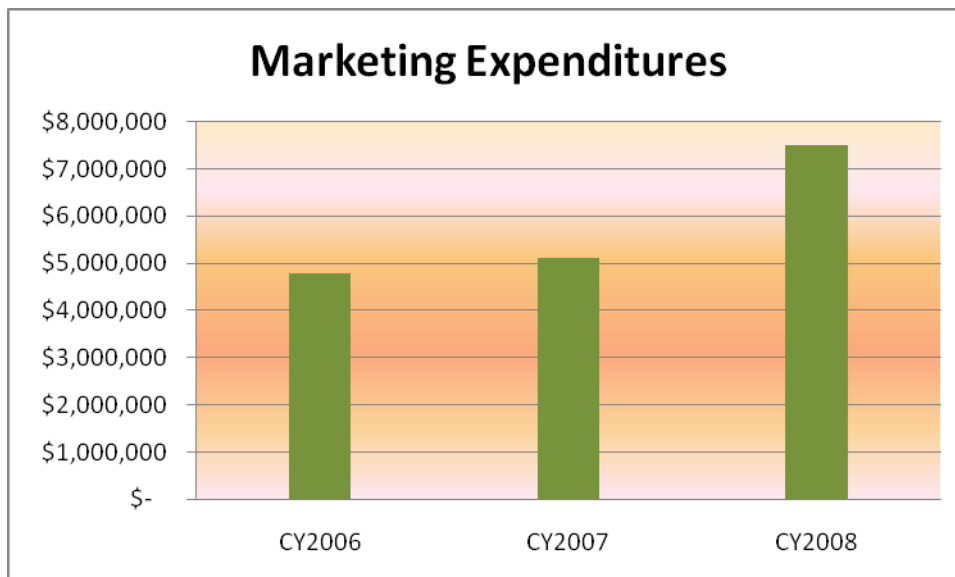
Of the top five companies that reported the highest expenses in CY06 and CY07 only one has changed from that list. The number five company changed from Forest Manufacturers to Abbott Laboratories.

Top 5 Spenders



Pharmaceutical Marketing Expenditures

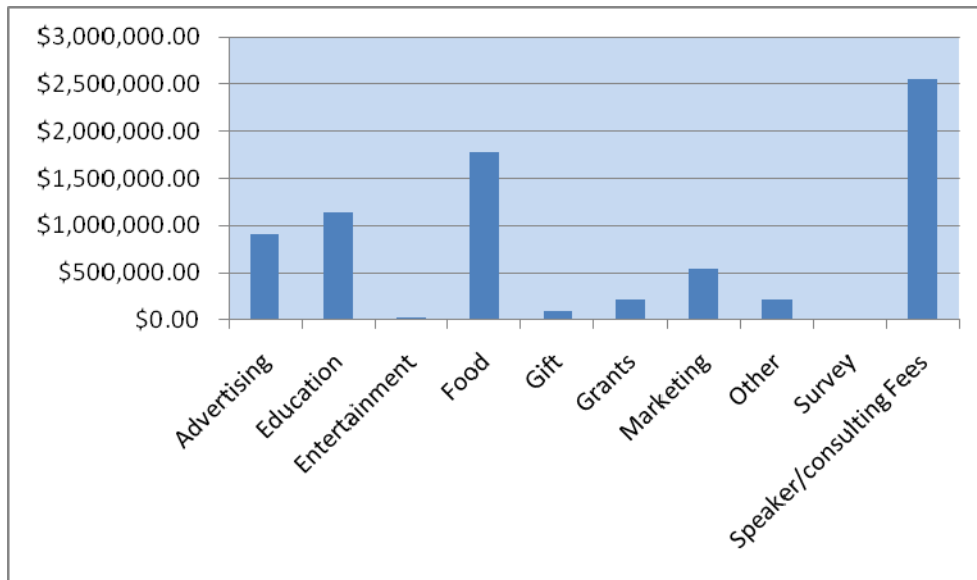
As in CY 2007, manufacturers decreased employee expenses. However, dollars spent on providers such as gifts, food and education grew in 2007 and continue to do so. Between CY2006 to CY2007, these costs grew only 6 ¼ %. However, in CY 2008 expenses grew significantly (47%) in comparison to CY2007.



Payments by Purpose of Expenditures

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

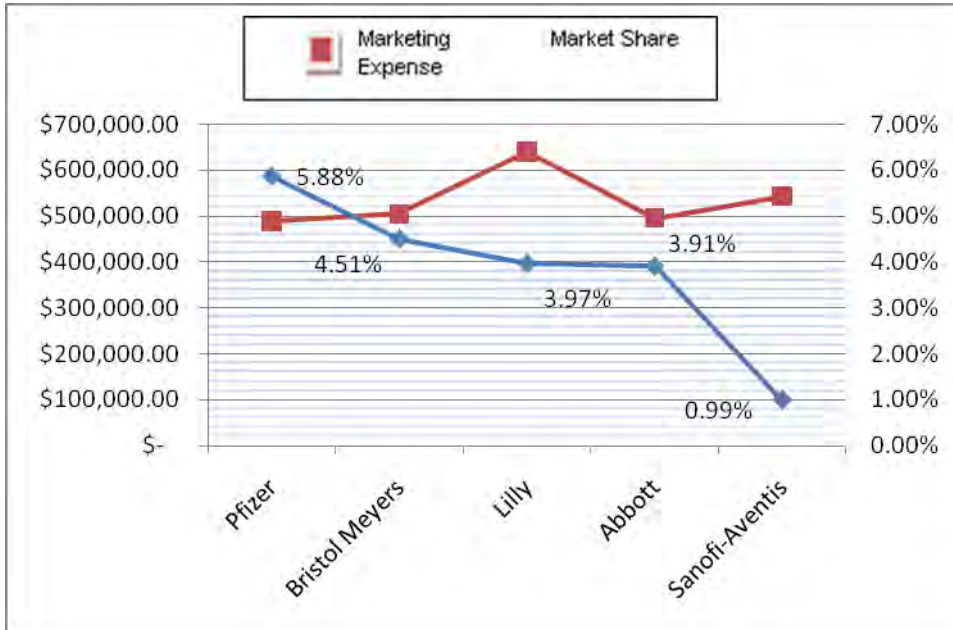
As in past years speaker and consulting fees remain the highest expense to manufactures. These fees go to local providers who speak about the manufacturer's prescription drug.



Analysis

The reported decline in expenditures in 2007 was mostly driven by a decline in employee and contractor expenses, which is the largest category of marketing expenses reported by the manufacturers. This may be due to the economic downturn that was seen across the country although in CY 2008 manufacturers reported an increase of 24% in these expenditures.

Analysis has also concluded that spending does not reflect market share:



Comparing the top 5 spenders in Maine to MaineCare market share data, the manufacturer spending the least receives the highest market share.

Overall marketing spending in Maine by drug manufacturers declined in 2007 from the previous year due to a reduction in spending on employees and contractors and a reduction in the number of manufacturers who reported. Employee and contractor expenses declined 19% while all other expenditures increased by 6%. In 2008 these expenses dramatically increased, an overall of 47%.

The number of manufacturers reporting in Maine for 2008 was 106. They reported on 187 labelers. One hundred thirty five manufacturers sent a letter stating that their company did not market in Maine and, therefore, was not responsible to report and one hundred twenty nine did not report or send a notice. This number has stayed the same over the last three years.

Conclusion

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 impact on the cost of prescribing, the Department is committed to promoting best practice prescribing standards. The Department is involved in several activities to promote best practice prescribing:

- Academic Detailing:
 - The Department contracts with the Maine Medical Association to promote best practice prescribing standards. The Association staff visit physician practices and give unbiased, objective information about selected drugs.

- Drug Utilization Review (DUR) Committee:
 - Each month the DUR committee meets and hears presentations and reports on various drugs. The Committee votes on changes to MaineCare's Preferred Drug List (PDL).
 - The PDL shows prescribers which drugs require Prior Authorization and which drugs can be prescribed only after other drugs have been tried. The PDL thus guides prescribers to the preferred drugs.

- Psychiatric Work Group:
 - The Psychiatric Work Group focuses on mental health prescribing. This group also meets monthly and makes decisions about the PDL's psychiatric drugs.

These activities have been shown to influence prescribing. The Department will continue these and explore other ways to promote efficient, effective prescribing practices.