How Would a Ban on Prescriber-Identifying Information Impact Pharmaceutical Marketing?

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ABSTRACT

Recent legal proceedings have addressed pharmaceutical firms’ access to physician and brand level prescribing data. Proponents of the use of the data for marketing purposes claim constitutional protection as freedom of speech. Opponents maintain that distribution of the data compromises privacy. From the perspective of Granger-causality, this study investigates the extent to which pharmaceutical firms use this data to adjust detailing levels at the physician level. Important firm and public policy implications result. Consistent with the findings of previous work, detailing appears to Granger-cause prescription writing for a significant subset of physicians. However, the evidence that prescription writing Granger-causes adjustments in detailing levels is weak.

Keywords: Data Availability, Freedom of Speech, Granger-Causality, Pharmaceutical Marketing, Privacy

INTRODUCTION

In 2010, U. S. pharmaceutical firms spent $15.3 billion on detailing (Cegedim, 2011) to support $307.4 billion in sales of prescription medications (IMS, 2011a). Detailing refers to the practice of sales people representing pharmaceutical firms calling on physicians to promote their firm’s brands. Pharmaceutical firms allocate details to individual physicians primarily based on the number of prescriptions each physician writes in a particular category of drugs. Manchanda, Chintagunta, and Rossi (2004) suggest physician response to detailing also plays a role. Currently, firms such as IMS Health consolidate filled prescription data and sell it to pharmaceutical firms and researchers. The data includes prescription information by physician and brand, but does not include patient-level information.

The continued availability of this data has recently been in jeopardy. A number of states over the past few years have introduced legislation to ban marketers from using physician-specific prescription data (Blesch, 2009). Proponents of the use of the data for marketing purposes claim constitutional protec-
tion as freedom of speech. Opponents maintain distribution of the data compromises privacy. In two of these states, the legislation was passed and ultimately arrived at the Supreme Court (Blesch, 2009; Sorrell v. IMS Health, 2011). After refusing to review the New Hampshire case in 2009, the Supreme Court agreed to hear arguments on the Vermont case, Sorrell v. IMS Health, in April of 2011 (Singer, 2011).

The intent of the Vermont law was to lower the costs of medical services and promote public health (Sorrell v. IMS Health, 2011). On June 23, 2011, the Supreme Court issued an opinion stating that the law does not address those goals “in a permissible way” (p. 4). Specifically, by a margin of 6-3, the court found that Vermont sought to achieve their objectives indirectly by “restraining certain speech by certain speakers” (p. 4), going “beyond mere content discrimination, to actual viewpoint discrimination” (p. 2). The court went on to say that Vermont might have addressed confidentiality by allowing disclosure only in “a few narrow and well-justified circumstances” (p. 18), rather than specifically targeting the use of the data by marketers; suggesting that the issue of using physician-level data for marketing purposes may be far from resolved. Following the Vermont decision, the Supreme Court ruled that a First Circuit Court of Appeals decision upholding a similar statute in Maine be vacated (IMS, 2011b).

With these important public policy considerations and healthcare’s prominence in the U.S. economy (17.7% of U.S. GDP in 2010) (Altarum, 2011), understanding the impact of detailing on prescription writing is crucial. A number of studies of prescription drug marketing have been conducted. Gonul et al. (2001) use a choice model to investigate the impact of detailing and sampling on prescription writing. Mizik and Jacobson (2004) incorporate physician-specific effects in their model and account for persistence in brand choices over time. Venkataraman and Stremersch (2007) investigate whether the responsiveness to detailing is a function of the efficacy of the drug being promoted. Primarily, the objective has been to specify models of prescription writing and estimate response parameters related to detailing.

The current legal efforts towards restricting physician-level prescription data introduces a critical issue pertaining to pharmaceutical marketing and public policy that has not been as extensively studied. How do pharmaceutical firms actually use the data in setting detailing levels? Theoretically, efficient use of the data could lead to more cost-effective marketing, and ultimately, lower drug costs. Several studies suggest that the allocation of details across physicians is suboptimal for at least subsets of physicians (e.g., Manchanda et al., 2004). Inefficient allocation of marketing dollars indicates the under-utilization of prescription data. However, inefficiency does not necessarily mean the data is adding nothing to detailing allocation decisions. With a ban on data access still a future possibility, the key question is no longer about optimality. Rather, the focus is now on whether physician-level prescription data is contributing to more efficient marketing. Are pharmaceutical firms using observations of physicians’ prescription writing behavior to adjust detailing levels?

Ultimately, the question is one of causality. Previous studies focus primarily on physician response to detailing. There has not been an emphasis on the extent to which physician response drives future detailing. If physician prescribing behavior does not cause changes in future detailing allocation decisions, banning access to prescription data at the physician level may not have an impact on the industry.

This study investigates the ramifications of a ban on the distribution of physician-level prescription data. Two major contributions result. First, consistent with previous studies, detailing appears to influence physician brand choice for some physicians. However, in this study, the investigation of the relationship is from the perspective of causality. Second, and most importantly, changes in physician prescribing behavior have at best a weak effect on the level of detailing targeted at physicians once initial detailing levels are set. As a result, banning pharmaceutical firms’ access to physi-
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