

Pharmaceutical Marketing Expenditures in the District of Columbia, 2012



**Prepared for
Government of the District of Columbia
Department of Health
Health Regulation and Licensing Administration**

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I. Executive Summary

Overview

Title III of the AccessRx Act of 2004 requires that any “manufacturer or labeler of prescription drugs dispensed in the District that employs, directs, or utilizes marketing representatives in the District” annually report marketing costs for prescription drugs in the District. Companies are required to report expenses for advertising to District residents; gifts valued at more than \$25 given to District health professionals; and costs associated with employees or contractors who directly or indirectly engage in advertising and promotional activities in the District.

One hundred forty-seven pharmaceutical manufacturers and labelers completed reports of their 2012 District of Columbia marketing expenditures and submitted them to the District of Columbia Department of Health. Reported expenditures totaled \$97.5 million, which represents the first year-on-year increase since 2007, when companies reported spending \$158.2 million (up from \$145.5 million in 2006). Between 2007 and 2011, total marketing expenditures declined each year, with the 2011 total of \$83.7 million marking the lowest total amount.

This report analyzes 2012 pharmaceutical marketing expenditure submissions in aggregate format, and compares 2012 figures to those of 2006 - 2011. It also provides information on the quality of submissions and recommendations for continuing to improve the quality and utility of data in future years.

Key Findings

As in previous years, expenses for pharmaceutical sales representatives and other employees and contractors engaged in advertising and marketing constituted the largest share of total expenditures. These expenditures, termed *Aggregate Expenses*, totaled \$61.5 million, or 63.1% of total expenditures.

Gift Expenses – which include grants, speaker fees, product samples, food, and promotional items – totaled \$30.5 million, approximately one-third (31.3%) of all expenditures. This category also accounts for most of the growth in total marketing spending by pharmaceutical companies, having risen from \$18.9 million in 2011. As in past years, the majority of gifts took the form of food, but monetary gifts (those classified as cash, checks, grants, or donations) account for the vast majority of the value given. Together, aggregate expenses and gift expenses accounted for 94.4% of expenditures, while advertising (which includes only local, not national, advertising) represented only 5.6%.

The increased gift spending was concentrated most heavily on hospitals, clinics, universities, organizations, and other non-individual recipients of gifts. These entities received \$19.6 million in gifts from pharmaceutical companies, more than double the \$9.7 million they received in 2011. Individuals – including doctors, nurses, pharmacists, and other healthcare providers – received \$10.8 million, up from

\$9.2 million in 2011. Physicians (recipients with MD or DO credentials) received \$10.2 million, or 95.2% of the total value of gifts to individuals. This is an increase from 2011, when physicians with these credentials received a total of \$7.5 million and accounted for 81.4% of the value of gifts to individuals.

Most companies reported no District-specific advertising expenses. Sixty-six companies, or 44.9% of those submitting reports, reported *Advertising Expenses* totaling \$5.4 million.

Specific findings related to overall expenditures include the following:

- In 2012, 147 pharmaceutical manufacturers and labelers reported payments totaling \$97.5 million for advertising, gift, and aggregate expenses in the District of Columbia. (The “aggregate expenses” category is the amount spent on compensation for employees and contractors conducting marketing activities in the District.) Of this grand total, \$61.5 million were reported for aggregate expenses (63.1%), \$30.5 million were gift expenses (31.3%), and \$5.4 million were advertising expenses (5.6%).
- Total expenditures increased from 2011, driven mainly by an increase in gift spending:
 - Gift expenditures increased by \$11.6 million (61.7%), from \$18.9 million to \$30.5 million;
 - Aggregate expenditures increased by \$3.6 million (6.2%), from \$57.9 million to \$61.5 million;
 - Advertising expenditures decreased by \$1.4 million (21.0%), from \$6.9 million to \$5.4 million; and
 - Total expenditures increased by \$13.8 million (16.5%), from \$83.7 million to \$97.5 million.
- Fifteen companies reported spending over \$1 million apiece in total aggregate expenditures; these represent only 10.2% of all reporting companies, but their expenditures represent 63.3% of total reported aggregate expenditures.

Although aggregate expenses continue to account for the largest share of total expenses, their share of the total was lower in 2012 than in any year since data collection began. This is due to the large increase in gift spending. Organizations – especially professional and disease-specific organizations – received much of the increase, and physicians also received a larger sum from pharmaceutical companies than in recent years. Compared to 2011, more gifts were described as being for the purpose of *Marketing*, and fewer for *Education*. Specific findings from our analysis of gifts include the following:

- The majority of gifts (71.8%) took the form of *Food*, but *Food* only accounted for only 6.4% (\$2.0 million) of the total dollar amount given by pharmaceutical companies.
- Monetary gifts (in the forms of *Cash or Checks*, *Grant*, and *Donations*) together represented more than three-fourths (78.8%) of total gift value, although they accounted for only 14.7% of the number of gifts. *Cash or Checks* accounted for \$14.9 million, *Grants* for \$7.1 million, and *Donation* for \$2.0 million.
- *Marketing* was reported as the primary purpose of gifts almost half (45.9%) of the time, and accounted for 21.8% of the gift value (\$6.7 million). *Education* was identified as the purpose of 20.1% of the gifts, and accounted for 29.9% of gift value, or \$9.1 million.

- Hospitals, professional organizations, and other non-individual recipients received \$19.6 million in gifts, almost twice as much as the \$10.8 million given to individual recipients.
- The top ten Professional Organizations (representing health professionals in a specific specialty or demographic group) received a total of \$7.8 million, with a median gift value of \$35,000.

Findings regarding gifts to physicians include the following:

- There were 15 physicians who each received cash or check gifts totaling more than \$100,000 from pharmaceutical companies. Together, their gifts totaled \$2.5 million, or 34.2% of all cash or check gifts given to physicians.
- More than 3,200 physicians received at least one food gift. Of these, 472 received 10 or more meals from pharmaceutical companies during 2012. Twenty physicians received 52 or more food gifts, averaging at least one free meal per week from a pharmaceutical company. Food gifts are generally accompanied by a visit from a pharmaceutical sales representative, so these physicians are likely having frequent interactions with detailers who are promoting specific drugs.
- Physicians received a total of \$6.0 million in the form of speaking fees or related gifts. Fifteen physicians received speaking payments totaling more than \$100,000 apiece; together, their speaking gifts added up to \$2.3 million.

The Patient Protection and Affordable Care Act, signed into federal law in 2010, will require pharmaceutical companies to report any “transfer of value” worth \$10 or more to a physician or teaching hospital to the Secretary of Health and Human Services (HHS). Expenditures from August 1, 2013 onward are subject to the reporting requirements, and the first reports are due to HHS on March 1, 2014. Information on these expenditures will be compiled by the Secretary, reported to Congress and the states, and made available to the public online. While the federal law is a significant step toward transparency, it is important to note that the District, through its AccessRx requirements, collects far more data than the federal law requires. For example, the federal law does not require the reporting of expenses for advertising or for pharmaceutical sales representatives and other employees and contractors engaged in advertising and marketing, both required by DC law. The federal law, unlike Access Rx, also does not reveal payments and gifts provided to nurses, pharmacists, healthcare organizations, and clinical sites that are not teaching hospitals.

In 2012, gifts to District physicians totaled \$10.2 million, and gifts to teaching hospitals \$532,427. This \$10.8 million (the amount that would be reported under the new federal law) represents only 35.3% of the total gifts and only 11.1% of the total marketing expenditures reported for 2012 under the AccessRx Act.

II. Summary of Pharmaceutical Marketing Expenditures

In 2012, 147 pharmaceutical manufacturers reported payments totaling \$97.5 million for advertising, gift, and aggregate expenditures in the District. Company reports of total marketing expenditures ranged from \$200 to \$6.7 million (not including seven companies that reported no expenses). The median value for total marketing expenditures, excluding companies that reported zero expenditures, was \$153,780, a higher median value than the \$92,204 reported in 2011. Tables 1 and 2 show the totals spent in each category by dollars and percent of total expenditures, and compare the 2012 amounts to reported expenditures from 2006 – 2011.

Total Expenses

Table 1 shows the total reported amount in each category from 2006 through 2012; Table 2 shows the percentage of the total spent in each category. A standardized Excel spreadsheet was first provided to assist manufacturers in preparing their reports in 2007, so the apparent increase in expenditures from 2006 to 2007 is most likely due to improvements in the reporting process rather than to an actual increase.

Table 1

2006 - 2012 Total Pharmaceutical Marketing Expenditures in DC by Type of Expenditures in Dollars				
Category of Expenses	Advertising Expenses	Gift Expenses	Aggregate Expenses (Personnel)	Grand Total
Total Value Reported for 2012	\$5,445,732	\$30,487,486	\$61,537,192	\$97,470,410
Total Value Reported for 2011	\$6,894,171	\$18,859,946	\$57,920,090	\$83,674,207
Total Value Reported for 2010	\$6,791,214	\$21,010,822	\$57,551,911	\$85,353,974
Total Value Reported for 2009	\$7,569,036	\$22,034,979	\$66,483,622	\$96,088,376
Total Value Reported for 2008	\$8,108,052	\$27,090,335	\$101,425,020	\$136,623,408
Total Value Reported for 2007	\$10,254,533	\$31,382,109	\$116,573,964	\$158,210,607
Total Value Reported for 2006	\$10,892,163	\$34,431,608	\$100,141,658	\$145,495,429

Table 2

2006 - 2012 Total Pharmaceutical Marketing Expenditures in DC by Type of Expenditures as a Percent of Total Expenditures				
Category	Advertising Expenses	Gift Expenses	Aggregate Expenses (Personnel)	Grand Total
% of Grand Total for 2012	5.6%	31.3%	63.1%	100.0%
% of Grand Total for 2011	8.2%	22.5%	69.2%	100.0%
% of Grand Total for 2010	8.0%	24.6%	67.4%	100.0%
% of Grand Total for 2009	7.9%	22.9%	69.2%	100.0%
% of Grand Total for 2008	5.9%	19.8%	74.2%	100.0%
% of Grand Total for 2007	6.5%	19.8%	73.7%	100.0%
% of Grand Total for 2006	7.5%	23.7%	68.8%	100.0%

District marketing expenditures were highest in 2007, declined in all categories from 2008 through 2010, and stayed essentially flat in 2011. Between 2011 and 2012, total reported expenditures rose, driven mainly by a 61.7% increase in *Gift Expenses*. At the same time, *Advertising Expenses* declined by 21.0% and *Aggregate Expenditures* increased by 6.2%.

Aggregate Expenses

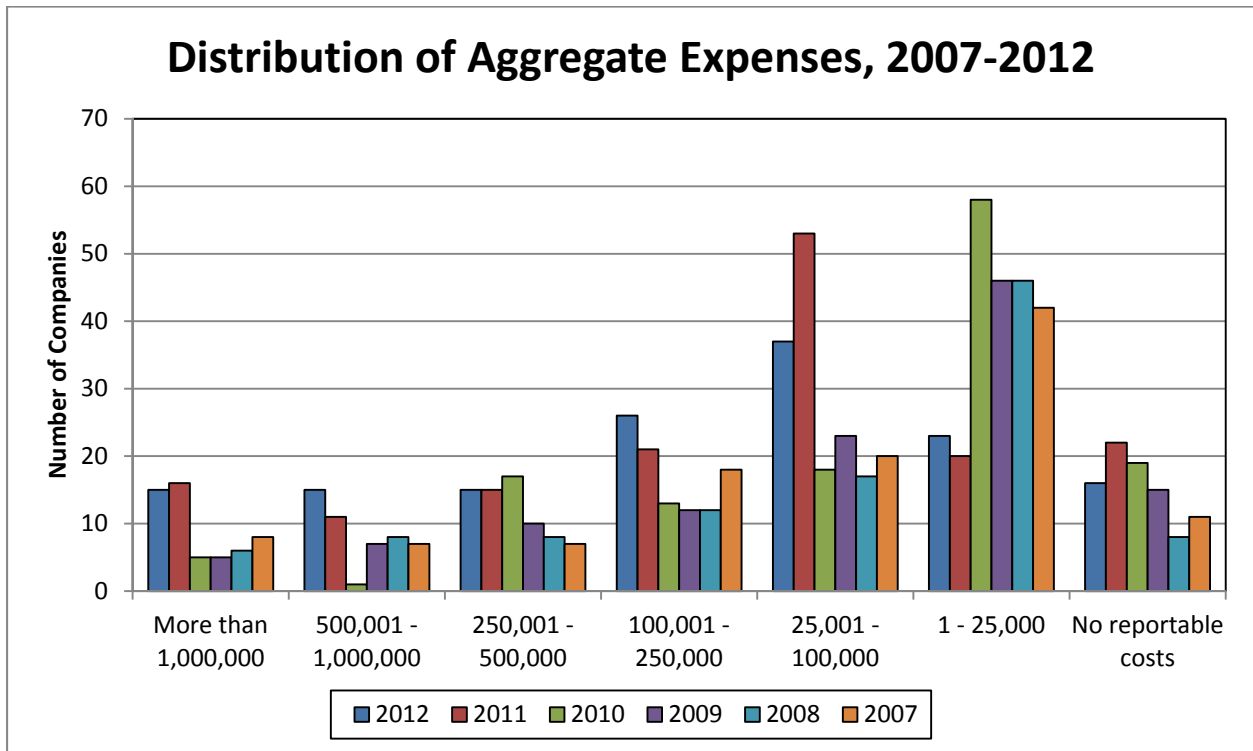
Pharmaceutical companies reported total *Aggregate Expenses* – expenditures for employees and contractors engaged in District marketing activities – of \$61.5 million in 2012. *Aggregate Expenses* account for nearly two-thirds (63.1%) of total marketing expenses in 2012. *Aggregate Expenses* totals ranged from \$457 to \$6.0 million, and their median value was \$123,857 (excluding companies with no expenditures). Sixteen companies reported no *Aggregate Expenses*. A majority of companies did not provide voluntary information detailing employee compensation on the Excel worksheet provided for this purpose.

Eighty-eight companies (59.9%) reported more than \$50,000 in total *Aggregate Expenses*; of these, most fell within the \$50,000 to \$500,000 range. Fifteen companies (10.2%) reported spending between \$500,000 and \$1 million on employees and contractors, and another fifteen (10.2%) spent more than \$1 million. Forty percent of companies spent less than \$50,000 in total *Aggregate Expenses*, including those not reporting expenses. Of these lower-spending companies, 33.9% spent between \$25,001 and \$50,000; 13.6% spent between \$10,001 and \$25,000; and 22.0% spent between \$1,001 and \$10,000. Sixteen companies, or 10.9%, had no reported expenses for employees and contractors. The distribution of total *Aggregate Expenses* is shown in Table 3. A comparison of *Aggregate Expenses* distributions from 2007 through 2011 is depicted in Figure 1.

Table 3

Distribution of 2012 Pharmaceutical Aggregate Expenses in DC				
Total Aggregate Expenses (\$)	Number of Companies	% of Total Number	Total Value (\$)	% of Total Value
More than 1,000,000	15	10.2%	\$38,948,062	63.3%
500,001 - 1,000,000	15	10.2%	\$10,443,971	17.0%
250,001 - 500,000	15	10.2%	\$5,494,149	8.9%
100,001 - 250,000	26	17.7%	\$4,445,254	7.2%
50,001 - 100,000	17	11.6%	\$1,267,108	2.1%
25,001 - 50,000	20	13.6%	\$732,854	1.2%
10,001 - 25,000	8	5.4%	\$127,070	0.2%
1,001 - 10,000	13	8.8%	\$77,477	0.1%
1 - 1,000	2	1.4%	\$1,247	0.0%
No reportable costs	16	10.9%	\$0.00	0.0%
Total	147	100.0%	\$61,537,192	100.0%

Figure 1



Pharmaceutical companies were provided with an additional spreadsheet to calculate and report their *Aggregate Expenses*. Companies are instructed to use the sheet to calculate expenditures, but are not required to submit it. The spreadsheet includes a line for each employee (or contractor) engaged in promotional activities, with salary, benefits, and commission. An additional cell lists the amount of employee time devoted to District marketing activities, which is multiplied by total compensation to yield the total expenditure for each employee or contractor.

Thirty-four of the 131 companies (26.0%) that reported *Aggregate Expenses* voluntarily provided titles and compensation for employees. Fifteen companies reported aggregate spending over \$1 million, but none of these companies submitted detailed expenses. This is similar to 2011 reporting, in which 16 companies with expenses over \$1 million provided no details of employee and contractor expenditures.

On the voluntary spreadsheets, total compensation for a single position ranged from \$12.56 to over \$400,000. The median compensation was more than \$34,000; this shows an increase from the median of approximately \$16,000 in 2011, but is still quite a bit lower than the 2010 median of nearly \$138,000. However, because few of the reporting companies submitted spreadsheets, and none of the companies with the largest expenditures did so, we do not know whether these figures are typical for the pharmaceutical companies marketing in the District.

Companies providing detailed expenses also indicated the titles of individuals compensated. We note that compared to past years' reports, 2012 reports included more titles that reference specific diseases or types of treatment (e.g., hematology, immunotherapy). Table 4 lists the variety of titles reported for individuals, and new titles referencing diseases or treatments are bolded.

Table 4

Selected Unique Employee/Contractor Titles (Treatment- or disease-specific titles appearing for the first time in 2012 are in bold)		
Accounts Manager	Field Sales Training Specialist	Sales Representative
Addiction Therapy Representative	Hospital Sales Representative	Sales Specialist
Area Business Director	Hospital Sales Specialist	Sales Specialist, Hematology
Area Business Manager	Immunotherapy Sales Specialist	Senior Account Manager
Area Director	Key Accounts Manager	Senior Diabetes Sales Specialist
Area Manager	Manager	Senior Director, Marketing
Area Manager / Field Trainer	Manager, Federal Accounts	Senior Director, Business Strategy
Clinical Sales Specialist	Manager, Promotional Communication	Senior District Sales Manager
Contract Sales Force Organizations	Market Development Specialist	Senior Medical Science Liaison
Customer Service Coordinator	Marketing Consultant	Senior National Accounts Manager
Diabetes Sales Specialist	Medical Sales Consultant	Senior Oncology Account Manager
Director of Institutional Sales	National Accounts Manager	Senior Oncology Sales Representative
Director, National Accounts	National Sales Director	Senior Product Manager
Director, Regional Accounts	Pharmaceutical Detailer	Senior Professional Sales Representative
Director, Rx Marketing	Regional Accounts Manager	Senior Specialty Sales Representative
Director, Sales Production & Effectiveness	Regional Business Director, Oncology	Senior Technical Sales Rep Oncology
District Business Manager	Regional Business Manager	Senior Territory Manager
District Manager	Regional Director	Senior Vice President
District Sales Manager	Regional Sales Director	Specialty Divisional Manager
District Sales Manager, Oncology	Regional Sales Manager	Specialty Sales Representative
Divisional Manager	Regional Sales Trainer	Technical Sales Representative
Engagement Manager	Sales Account Manager	Territory Manager

Gift Expenses

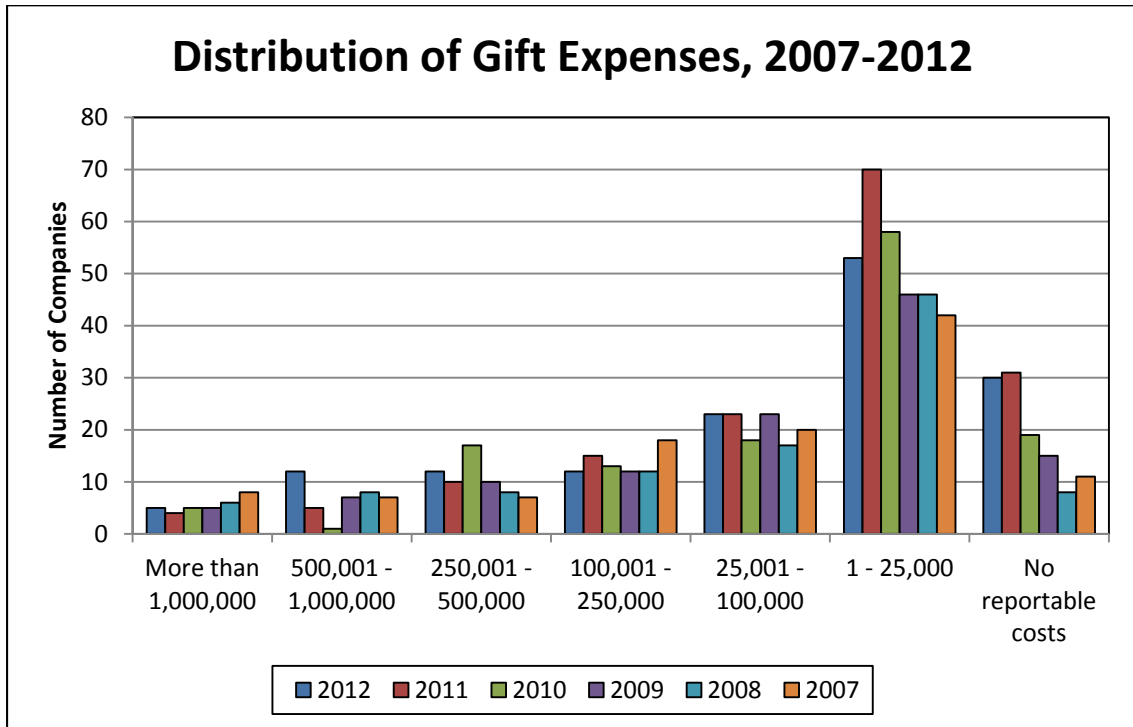
Total *Gift Expenses* for all companies amounted to \$30.5 million in 2012. This amount includes cash or check payments, food, travel, and books. Companies' reports of total gift expenses ranged from \$25 to \$4.2 million. The median value for company gift expenses greater than zero was \$36,334. There were 30 companies that reported no gift expenses in 2012.

Including companies that reported no gift expenses, 64.0% of companies (94 companies) reported gift expense totals under \$50,000. Approximately 24.5% of companies (36 companies) spent between \$50,000 and \$500,000; 8.2% spent between \$500,000 and \$1 million (12 companies); and 3.4% spent over \$1 million (five companies). The distribution of gift expenses is shown in Table 5. A comparison of gift expense distributions from 2007 through 2012 is depicted in Figure 2.

Table 5

Distribution of 2012 Pharmaceutical Gift Expenses in DC				
Total Gift Expenses (\$)	Number of Companies	% of Total Number	Total Value (\$)	% of Total Value
More than 1,000,000	5	3.4%	\$13,469,335	44.2%
500,001 - 1,000,000	12	8.2%	\$8,988,647	29.5%
250,001 - 500,000	12	8.2%	\$4,428,924	14.5%
100,001 - 250,000	12	8.2%	\$1,918,186	6.3%
50,001 - 100,000	12	8.2%	\$925,355	3.0%
25,001 - 50,000	11	7.5%	\$406,943	1.3%
10,001 - 25,000	11	7.5%	\$225,869	0.7%
1,001 - 10,000	27	18.4%	\$117,874	0.4%
1 - 1,000	15	10.2%	\$6,354	0.0%
No reportable costs	30	20.4%	\$0.00	0.0%
Total	147	100.0%	\$30,487,486	100.0%

Figure 2



Advertising Expenses

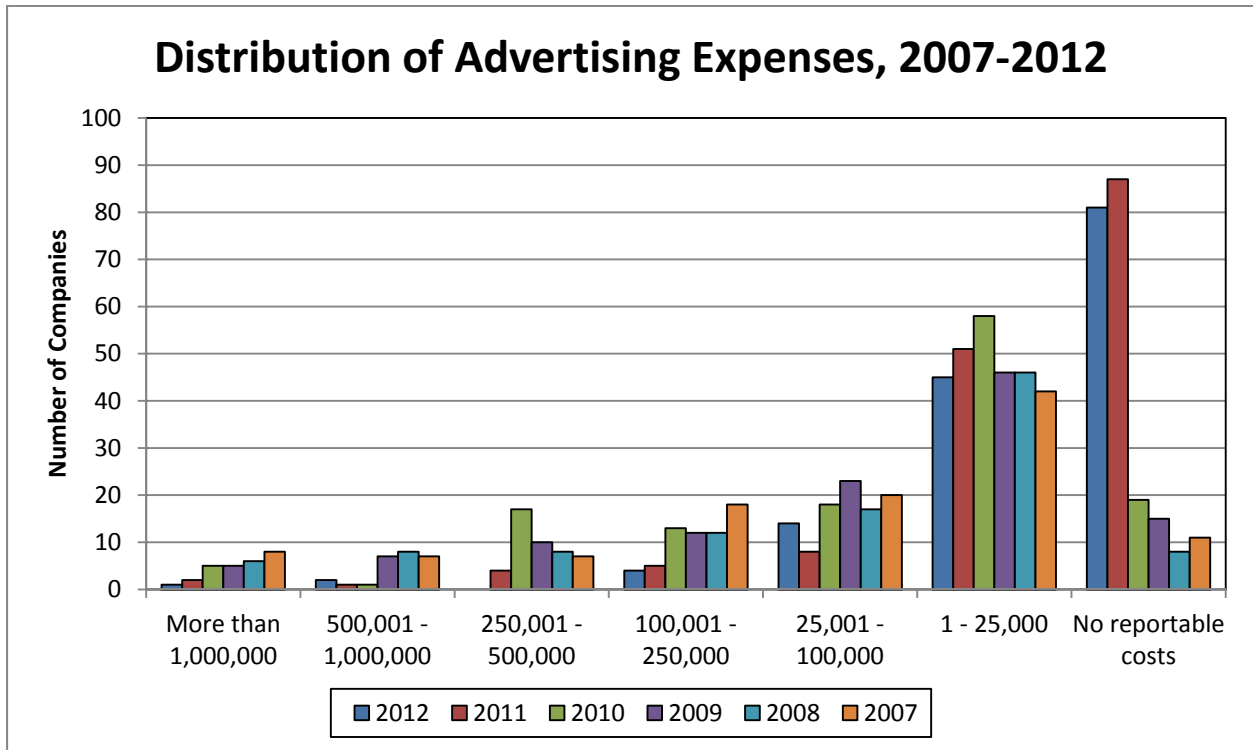
Pharmaceutical companies reported total District advertising expenses of \$5.4 million in 2012. Companies that reported advertising expenses had totals ranging from \$39 to \$1.9 million. The median value for advertising expenses greater than zero was \$9,342.

For the 66 companies that did report advertising expenses, over half (34) spent less than \$10,000. Three companies spent over \$500,000 each. The majority of the remaining companies fell within the \$1,000 - \$10,000 range of total advertising expenses. This information is depicted in Table 6. A comparison of advertising expense distributions from 2007 through 2012 is depicted in Figure 3.

Table 6

Distribution of 2012 Pharmaceutical Advertising Expenses in DC				
Total Advertising Expenses (\$)	Number of Companies	% of Total Number	Total Value (\$)	% of Total Value
More than 1,000,000	1	0.7%	\$1,930,495	35.5%
500,001 - 1,000,000	2	1.4%	\$1,734,976	31.9%
250,001 - 500,000	0	0.0%	\$0	0.0%
100,001 - 250,000	4	2.7%	\$716,721	13.2%
50,001 - 100,000	8	5.4%	\$592,869	10.9%
25,001 - 50,000	6	4.1%	\$218,826	4.0%
10,001 - 25,000	11	7.5%	\$156,419	2.9%
1,001 - 10,000	19	13.0%	\$89,160	1.6%
1 - 1,000	15	10.2%	\$6,265	0.1%
No reportable costs	81	55.1%	\$0.00	0.0%
Total	147	100.0%	\$5,445,732	100.0%

Figure 3



III. Gift Expense Analysis

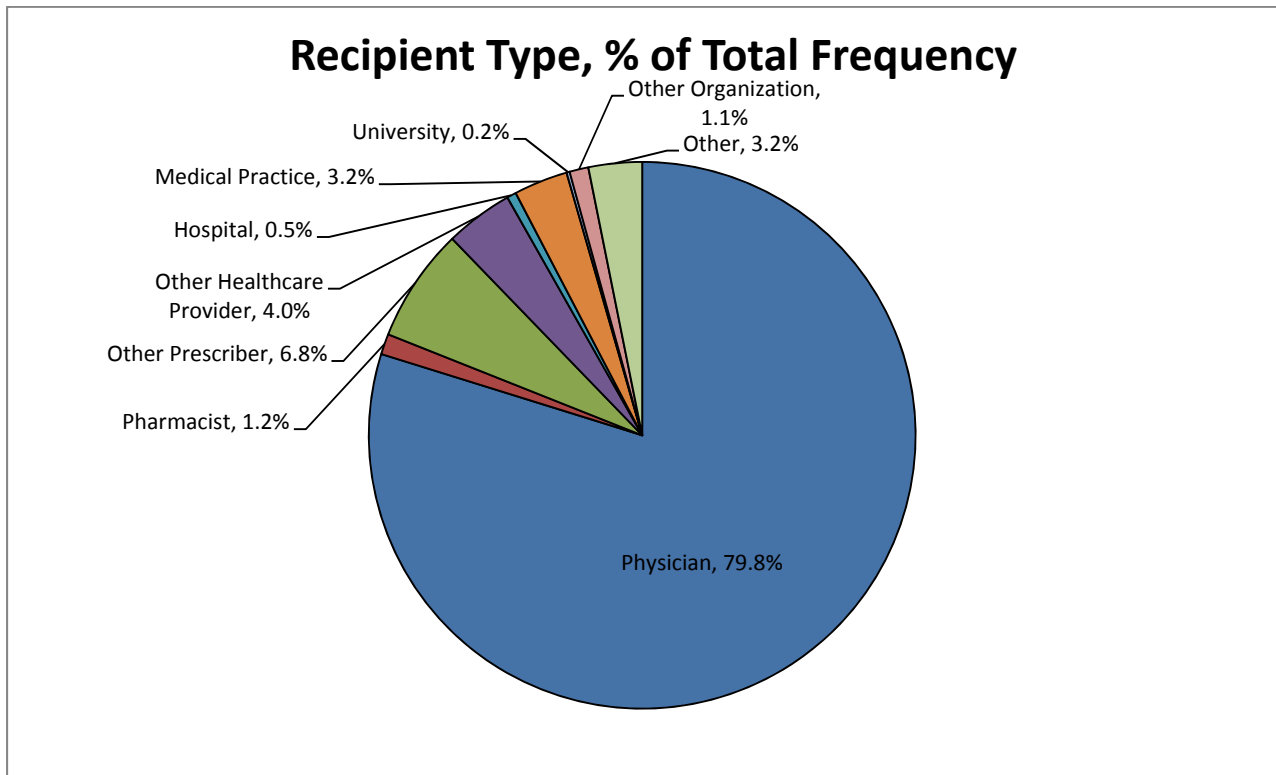
To characterize *Gift Expenses*, companies' individual reports were entered into a Microsoft Access database, and filters were used to analyze *Recipient Type*, *Nature of Payment*, and *Primary Purpose*.

Gift Recipient Type Analysis: Frequency and Total Amount

A basic filter was run in the database to identify expenses by *Recipient Type*, and results were entered into a Microsoft Excel spreadsheet for analysis of frequency and dollar amount. *Recipient Types* were broken down into nine categories: *Hospital*, *Medical Practice*, *Pharmacist*, *Physician*, *Other*, *Other Organization*, *Other Healthcare Provider*, *Other Prescriber*, and *University*. Recipients were reclassified from the *Other Type* category into a more specific category if the recipient could clearly be identified as one of the other primary recipient types. In some situations, a recipient could be accurately classified into more than one category – for instance, a psychiatrist could be placed into either the *Physician* or *Psychiatrist* category. For the purpose of this analysis, recipients identified as *Psychiatrist* were added to the *Physician* category.

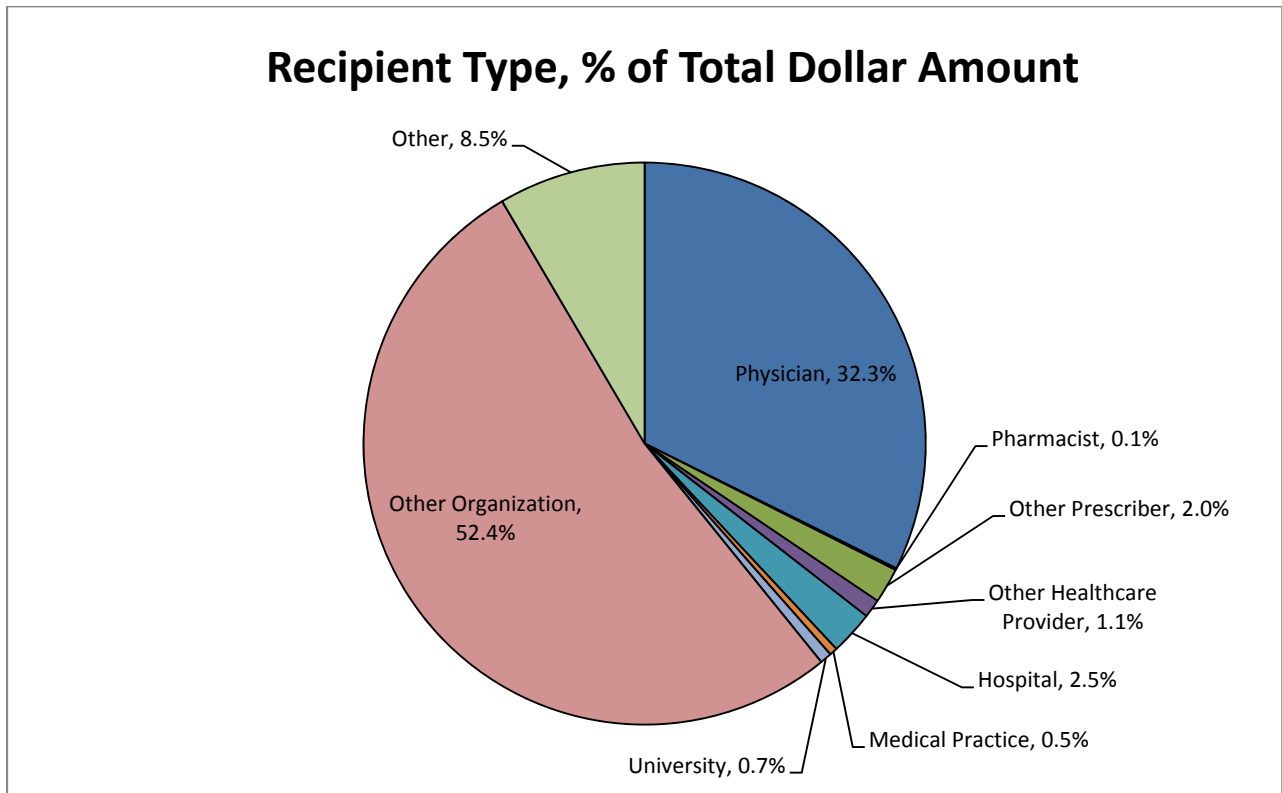
Recipients classified as *Physicians* received gifts most frequently, accounting for 79.8% of all reported gifts. *Physicians* have received the most gifts every year since 2007. Figure 4 reflects the frequency of payments to each type of recipient.

Figure 4



The picture changes when gifts' value, rather than their frequency, is considered. Out of the gifts' \$30.5 million total value, gifts to *Physicians* accounted for about one third: \$9.9 million, or 32.3% of the total. Gifts to *Other Organization* accounted for approximately half (\$16.0 million, or 52.4%) of the total. Organizations received a relatively small number of high-value gifts from pharmaceutical companies, while physicians received a relatively large number of lower-value gifts. (Details on gifts to organizations and physicians are in Section IV.) Figure 5 shows the percent of total dollar amount that each *Recipient Type* received.

Figure 5

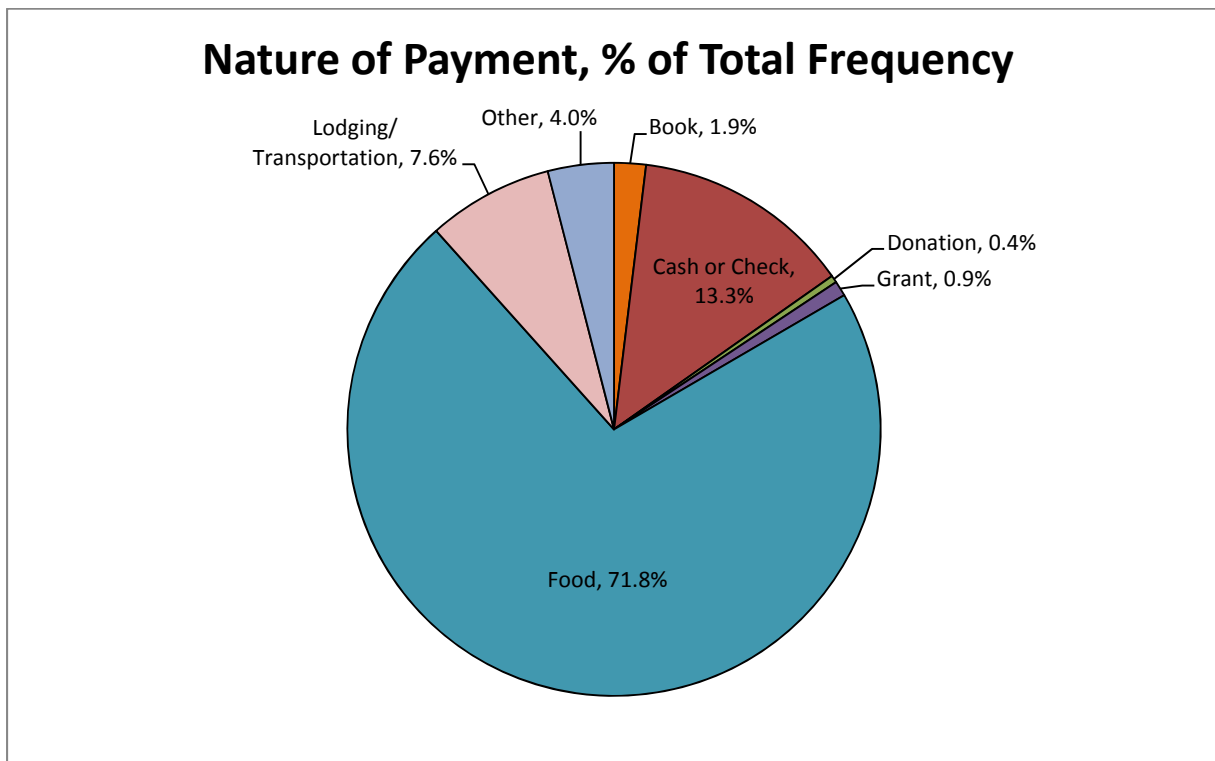


Gift Nature of Payment Analysis: Frequency and Total Amount

A basic filter was run in the database to identify expenses by *Nature of Payment*, and results were entered into an Excel spreadsheet for analysis of frequency and dollar amount. For this analysis, seven primary categories were used: *Book*, *Cash or Check*, *Donation*, *Food*, *Grant/Fundraiser*, *Lodging/Transportation*, and *Other*. In some cases, companies listed terms that were not accepted values for *Nature of Payment*. These constituted a small percentage in both frequency and dollar terms and were added to the *Other* category.

As has been the case every year since 2007, *Food* was the most frequently listed *Nature of Payment*, accounting for 71.8% of all gifts. *Cash or Check* accounted for 13.3%, and all other categories for less than 8% each. The frequency of *Nature of Payment* categories is depicted in Figure 6.

Figure 6

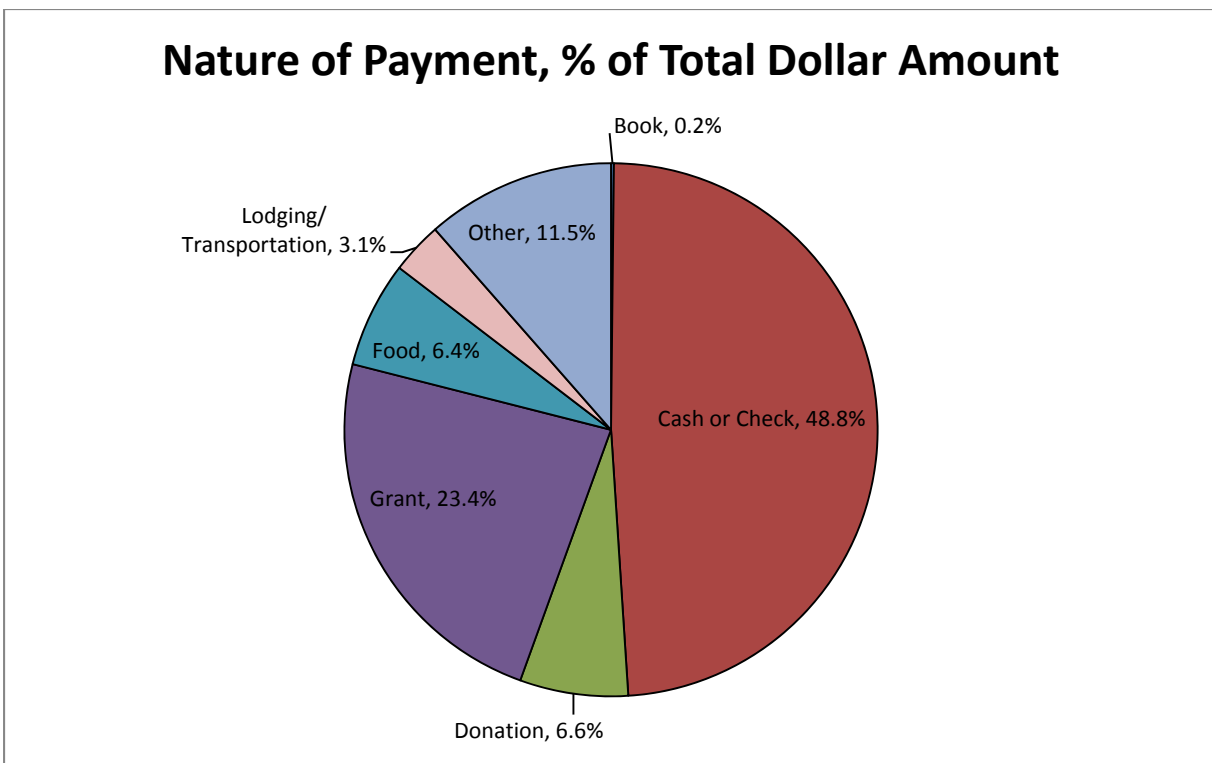


Note: The “Other” slice includes payment types that were identified as Other (3.97% of frequency), as well as those listed as Honoraria or Product Samples, each of which represented less than 1% of the total, and those with no response given.

The picture is dramatically different when considering the total dollar amount of monetary gifts. *Cash or Check* accounted for only 13.3% of the number of payments, but accounted for nearly half of the total value of all gifts: \$14.9 million, or 48.8%. *Grants*, the next-largest category, accounted for 23.4% of the total gift amount (\$7.1 million). *Food*, listed 71.8% of the time as the *Nature of Payment*, only accounted for 6.4% (\$2.0 million) of the total dollar amount spent.

Compared to 2011 figures, a greater share of the 2012 total gift value is categorized as either *Grant* or *Donation*, while the share of value described as *Cash or Check* is smaller. Together, all three categories accounted for approximately three-fourths of the value of all gifts in both years. Figure 7 shows the percent of the total dollar amount for each category of *Nature of Payment*.

Figure 7



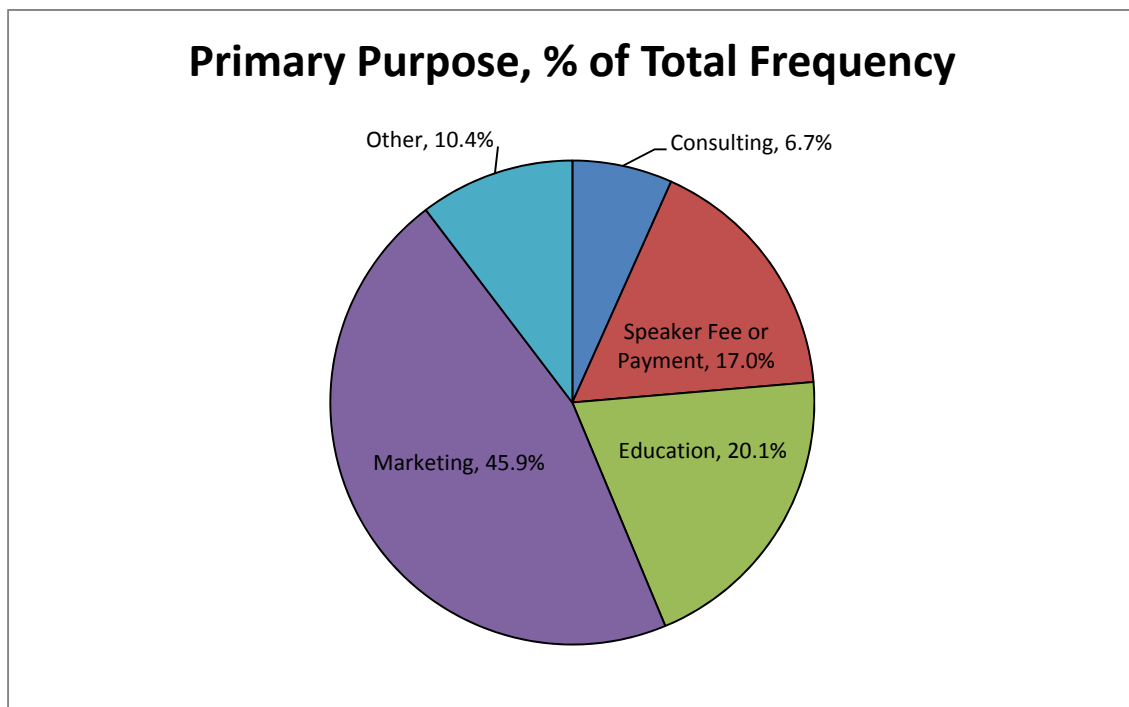
Note: The “Other” slice includes payment types that were identified as Other (10.8% of value), as well as those listed as Honoraria or Product Samples, each of which represented less than 1% of the total, and those with no response given.

Gift Primary Purpose Analysis: Frequency and Total Amount

A basic filter was run in the database to identify expenses by *Primary Purpose*, and results were entered into an Excel spreadsheet for analysis of frequency and dollar amount. Responses were grouped into five main categories: *Consulting*, *Speaker Fee or Payment*, *Education*, *Marketing*, and *Other*. The *Other* category includes not only payments listed as *Other*, but also terms provided by the companies that were not on the list of options for *Primary Purpose* of payment.

Marketing was the *Primary Purpose* listed most frequently, accounting for 45.9% of reported gifts, and *Education* was the second-most frequent, accounting for 20.1%. This marks a shift from 2011, when fewer gifts (37.2%) were classified as being for *Marketing* and more gifts (30.7%) were designated for *Education*. The share of gifts for the *Primary Purpose* of *Speaker Fee or Payment* was 17.0% in 2012, an increase from the 14.3% of gifts reported in this category in 2011.

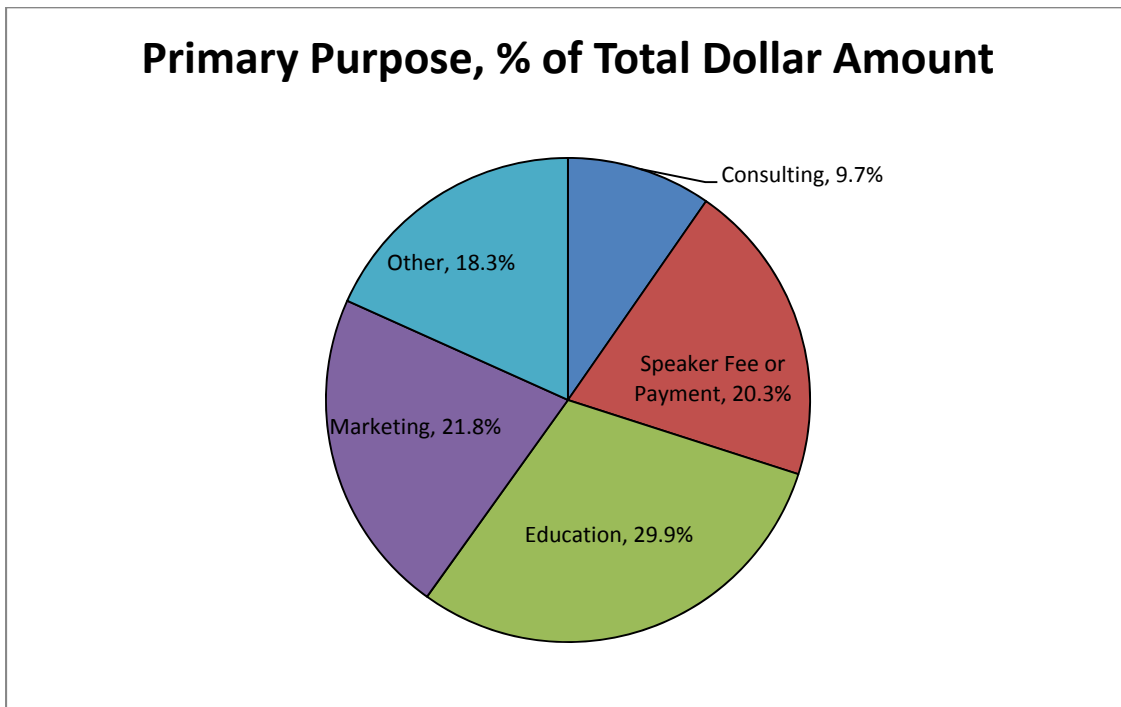
Figure 8



Note: The "Other" slice includes purposes that were identified as Other (10.2% of frequency), as well as those listed as Donation or Grant, each of which represented less than 1% of the total, and those with no response given.

When considering the share of gift dollars in each *Primary Purpose* category, *Education* accounted for the highest share of gift dollars: \$9.1 million, or 29.9% of the \$30.5 million in *Gift Expenses*. Another 21.8% of the total, \$6.7 million, was for *Marketing* purposes, and \$6.2 million, or 20.3% of the total, was for *Speaker Fee or Payment*. The percentage of the total gift dollar amount reported in each *Primary Purpose* category is depicted in Figure 9.

Figure 9



Note: The "Other" slice includes purposes that were identified as Other (17.7% of value), well as those listed as Donation or Grant, each of which represented less than 1% of the total, and those with no response given.

IV. Analysis of Gift Recipients

Pharmaceutical-company gifts were separated and analyzed based on recipient type, as determined by whether the *Non-Individual Recipient* or *Recipient Last Name* field in the submission spreadsheet was populated. Organizations and institutions (hereafter referred to as “non-individual recipients”) received \$19.6 million in gifts, and individuals received \$10.8 million. There was a large increase in the overall value of gifts, largely due to a doubling in non-individual gifts, from \$9.7 million in 2011 to \$19.6 million in 2012. Gifts to individuals increased less dramatically, from \$9.2 million in 2011 to \$10.8 million in 2012.

Among non-individual recipients, we identified three types of organizations: Clinical Organizations (hospitals, health clinics, etc.), Disease-Specific Organizations, and Professional Organizations (representing individuals in particular clinical specialties or demographic groups). Organizations receiving the largest amount of gifts from pharmaceutical companies in each organization category were identified. Compared to 2011, the top ten Clinical Organizations received less gift value, while the top ten Disease-Specific Organizations and Professional Organizations received far more:

- The top ten Clinical Organizations received \$615,861 in 2012, a 14.7% decrease from \$721,762 in 2011.
- The top ten Disease-Specific Organizations received \$5.7 million in 2012, a 166.4% increase from \$2.1 million received in 2011.
- The top ten Professional Organizations received \$7.8 million in 2012, a 123.9% increase from \$3.5 million received in 2011.

It is important to note that the ten organizations in each group may change from year to year.

In 2012, gifts to non-individual recipients as a whole were most often in the form of food (55.1% of gifts), but the *Nature of Payment* that accounted for the greatest total dollar amount was *Cash or Check* (\$7.3 million, or 37.0%).

For the top ten Clinical Organizations, *Cash or Check* was the most frequent *Nature of Payment* (accounting for 31.9% of gifts), though the greatest percentage of the value was designated as *Grant* (\$270,400, or 43.9% of the total). The top ten Disease-Specific Organizations most frequently had *Donation* as the *Nature of Payment* (40.8%), while the *Grant* category accounted for the greatest percentage of total value (\$2.8 million, or 48.8%). For Professional Organizations, *Cash or Check* was most frequent (44.6%), and it accounted for the largest portion of total value (\$3.1 million, or 40.3%).

In examining individual gifts, we identified physicians as those with MD or DO credentials and nurses by nursing credentials (RN, NP, APRN) or the word “Nurse” in the credentials field.

Physicians received a total of \$10.2 million in 2012; this represents 95.2% of the gifts given to individuals. Although nurses received a much lower total of \$205,756, this represents a notable increase from 2011's nurse gift total of \$158,175. For both physicians and nurses, *Food* was the most frequent *Nature of Payment*. The *Nature of Payment* accounting for the most money was *Cash or Check* for Physicians and *Food* for Nurses.

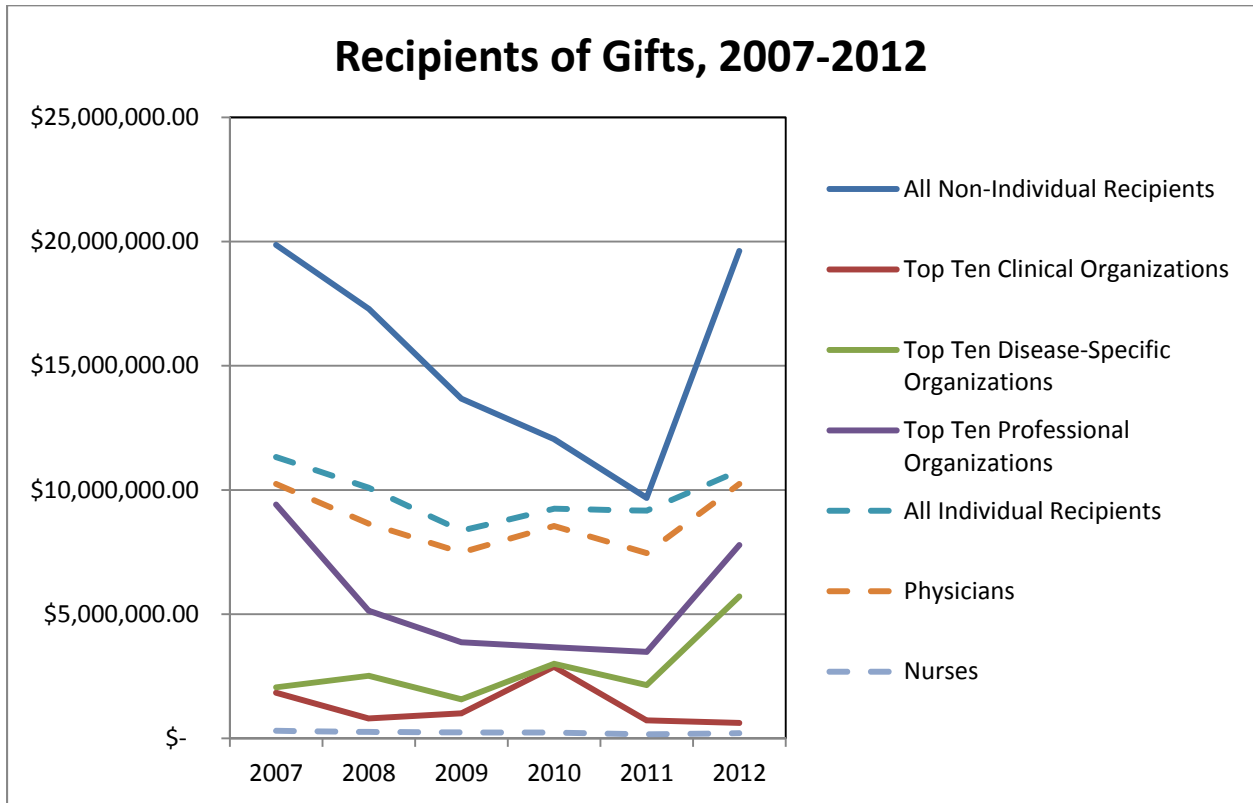
Single gifts to physicians ranged from less than a dollar to \$61,000, with a median of \$91. This continues the trend of increasing median values for physician gifts, up from \$74 in 2011 and \$70 in 2010. The largest single gift to a nurse had a value of \$2,700, and nurse gifts had a median value of \$84; again, this continues the trend of increasing median gift values for nurses, up from \$57 in 2011 and \$35 in 2010. The *Primary Purpose* for gifts to nurses shifted from *Education* in 2011 to *Marketing* in 2012, in both frequency and proportion of overall value.

Table 7 summarizes the findings of the analysis of 2012 gift recipients, and Figure 10 shows the trends in giving to each group from 2007 - 2012.

Table 7

Recipients of Gifts from Pharmaceutical Companies, 2012							
Recipient Type	Total Amount Received (\$)	Median Gift Value (\$)	Range of Gift Values (\$)	Most Frequent Nature of Payment	Nature of Payment Receiving Most Money	Most Frequent Primary Purpose	Primary Purpose Receiving Most Money
All Non-Individual Recipients	19,623,379	169	8 - 940,500	Food	Cash or Check	Marketing	Education
Top Ten Clinical Organizations	615,861	2,000	20 - 100,000	Cash or Check	Grant	Marketing	Education
Top Ten Disease-Specific Organizations	5,714,294	17,500	34 - 940,500	Donation	Grant	Other	Education
Top Ten Professional Organizations	7,778,842	35,000	40 - 915,354	Cash or Check	Cash or Check	Education	Marketing
All Individual Recipients	10,758,566	89	0.01 - 61,000	Food	Cash or Check	Marketing	Speaker Fee or Payment
Physicians	10,239,335	91	0.01 - 61,000	Food	Cash or Check	Marketing	Speaker Fee or Payment
Nurses	205,756	84	0.37 - 2,700	Food	Food	Marketing	Marketing

Figure 10



Payments to Non-Individual Recipients

Non-Individual Recipients were analyzed first as a group and then broken into three subgroups: Clinical Organizations, Disease-Specific Organizations, and Professional Organization. The ten organizations that received the largest total gift amounts in these three categories were then analyzed further.

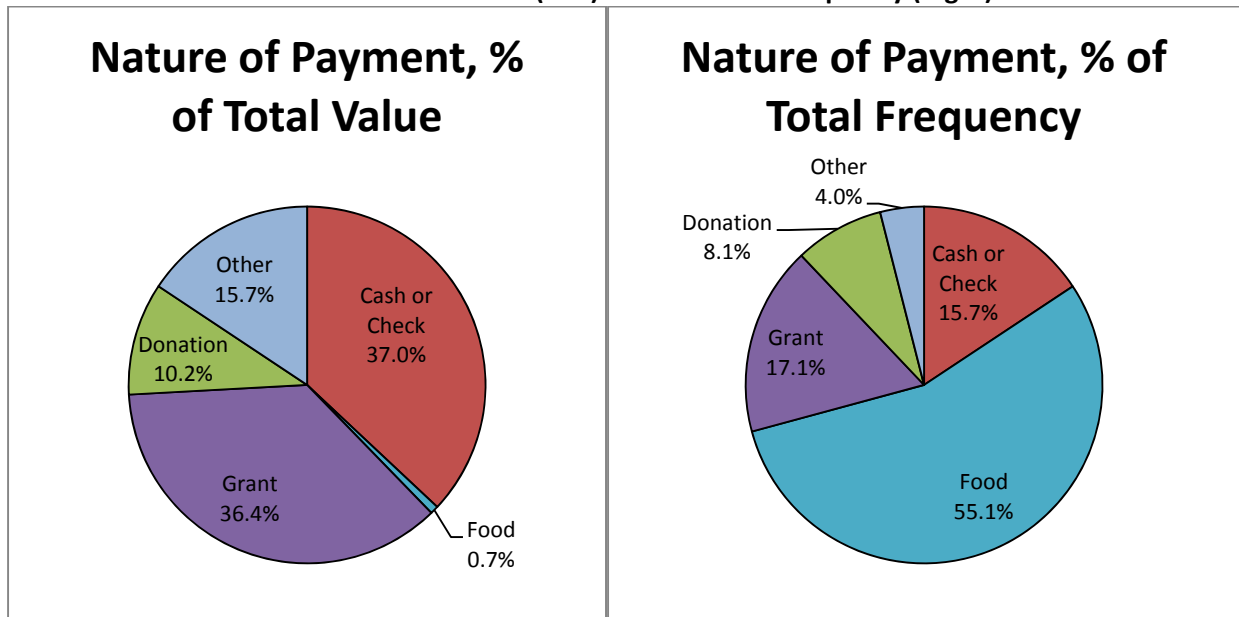
Non-Individual Recipients as a Whole

As previously discussed, Non-Individual Recipients received a total of \$19.6 million in gifts. This shows a tremendous increase from the previous year, when they received \$9.7 million. Single payments to Non-Individual Recipients ranged from less than \$10 to \$940,500, and the median value of all payments was \$169.

Cash or Check was the *Nature of Payment* that accounted for the largest share of the total dollar value of gifts to Non-Individual Recipients (\$7.3 million, or 37.0%); *Grant* accounted for 36.4% (\$7.1 million), *Other* for 15.7% (\$3 million), *Donation* for 10.2% (\$2 million), and *Food* for 0.7% (\$146,192). When considering frequency, *Food* accounted for the greatest proportion of *Nature of Payment* (55.1%); *Grant* accounted for 17.1%, *Cash or Check* for 15.7%, *Donation* for 8.1%, and *Other* for 4.0%. The *Donation* category saw an increase in both total value and frequency from the previous year; value increased from 6.0% in 2011 to 10.2% in 2012, and frequency increased from 3.3% to 8.1%. It bears noting that what one company calls a *Grant* may be what another company calls a *Donation* or *Cash or Check*. Together, *Grant*, *Donation*, and *Cash or Check* gifts totaled \$16.4 million.

Figure 11 shows the percent of total dollar value versus the percent of frequency for each *Nature of Payment* category.

Figure 11
Non-Individual Recipients: Nature of Payment
Percent of Total Value (Left) vs. Percent of Frequency (Right)

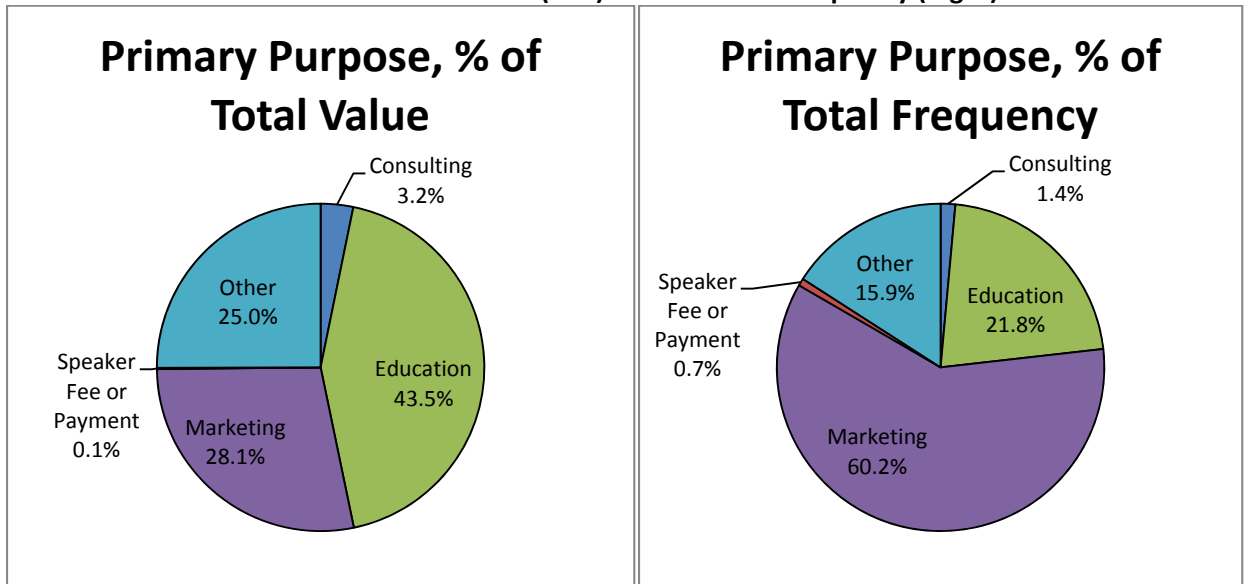


While Grant and Cash or Check accounted for the greatest share of the dollar value of gifts to Non-Individual Recipients, more than half of the reported gifts had Food listed as the Nature of Payment. *Note:* The “Other” slice includes purposes that were identified as Other (15.1% of total value, 3.7% of frequency), as well as purposes identified as Books, Lodging, and Transportation, each of which represented less than 1% of the total.

Education was listed as the *Primary Purpose* with the highest dollar amount of gift payments to Non-Individual Recipients, at \$8.5 million, or 43.5% of the gift value. Other categories included *Marketing* (\$5.5 million, or 28.1%) and *Other* (\$4.9 million, or 25.0%). In contrast, a larger proportion of gifts were categorized as *Marketing* (60.2%), with *Education* at 21.8% and *Other* at 15.9%. Compared to 2011, *Education* accounts for a smaller share of the value given to this group (43.5%, down from 49.9%), while *Marketing* accounts for a greater share of the dollar amount (28.1%, up from 26.9%).

The percent of total dollar value compared to the percent of frequency for each *Primary Purpose* category is depicted in Figure 12.

Figure 12
Non-Individual Recipients: Primary Purpose
Percent of Total Value (Left) vs. Percent of Frequency (Right)



While Education gifts accounted for nearly half of the total value of gifts given to Non-Individual Recipients, more than half of all gifts, 60.2%, had Marketing listed as the Primary Purpose. *Note:* The “Other” slice includes purposes that were identified as Other (24.7% of total value, 14.0% of frequency), as well as those listed as Donation or Grant, which represented less than 1% of the total, and those with no Primary Purpose listed.

Clinical Organizations

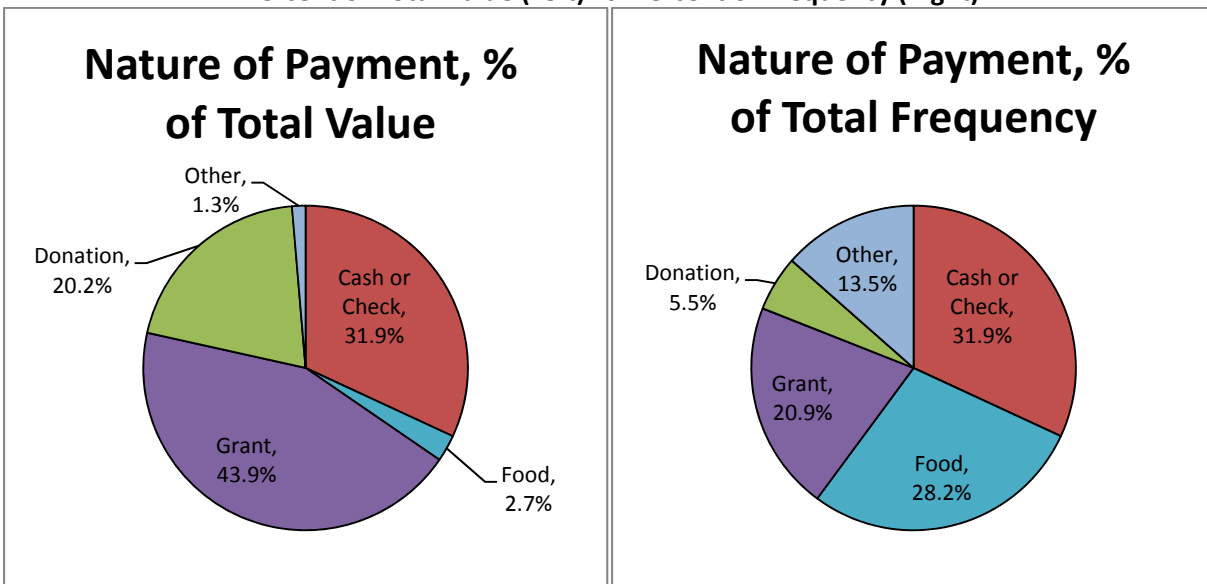
Clinical Organizations include hospitals and local health clinics. As seen in Table 7, the ten Clinical Organizations with the highest gift totals together received \$615,861 from pharmaceutical companies in

2012. This is a decrease from the \$721,762 received by the top ten Clinical Organizations in 2011, and a substantial decline from the \$2.9 million in 2010 and \$1 million in 2009. (The organizations in this group changed somewhat from the previous year, with six of the ten organizations from 2011 included in 2012.) Reported payments ranged from \$20 to \$100,000. While the total value amount for this group declined, the median value for all individual payments made to these organizations was \$2,000, a large increase from \$203 in 2011 and \$189 in 2010.

Grants accounted for the largest dollar amount (\$270,400, or 43.9%) given to the top ten Clinical Organizations, and Cash and Check for another \$196,525, or 31.9% of the total value. In terms of frequency, 31.9% of gifts were in the form of Cash or Check, 20.9% were Grant, 13.5% were Other, and 5.5% were Donation. As with past years, Food made up a small portion of total value (2.7%), but a much larger portion of total frequency (28.2%). Compared to past years, however, Food gifts accounted for a smaller share of both value and frequency (down from 6.4% and 68.0%, respectively, in 2011). This decline in food gifts could be due to the different composition of the top ten Clinical Organizations, shifts in companies' marketing strategies, or changes in institutional policies regarding acceptance of food gifts.

Figure 13 depicts the percent of total dollar value and percent of frequency for Nature of Payment categories.

Figure 13
Clinical Organizations: Nature of Payment
Percent of Total Value (Left) vs. Percent of Frequency (Right)

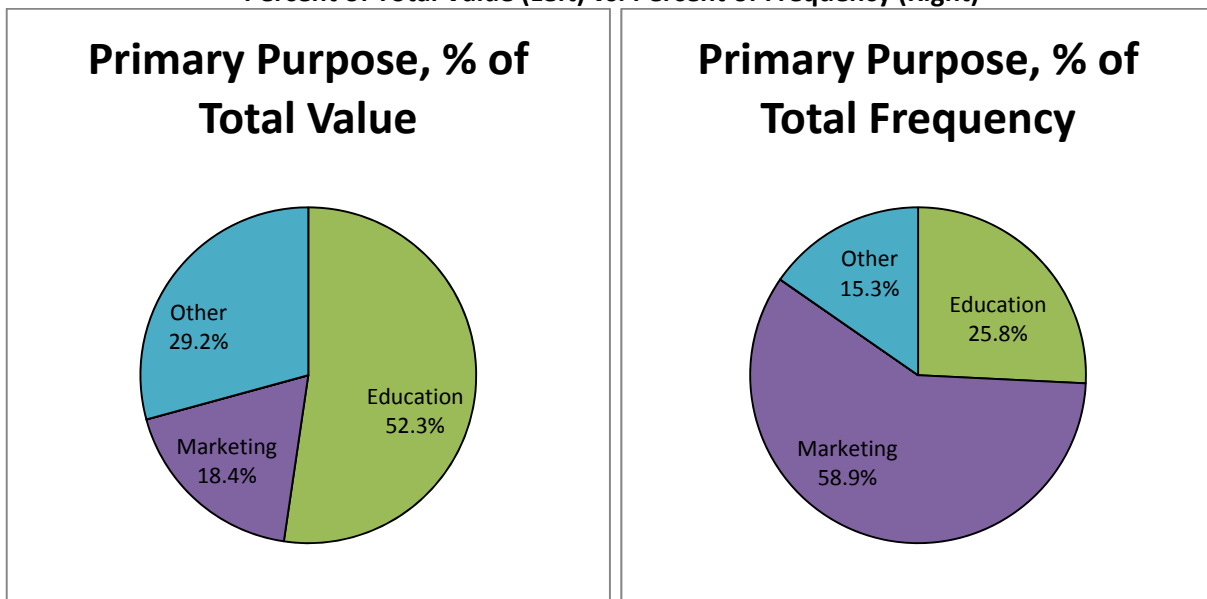


Cash and Check gifts accounted for 31.9% of both the value of gifts and the total frequency of gifts to the top ten Clinical Organizations, while Grant accounted for the greatest number of gifts (43.9%). *Note:* The "Other" slice includes purposes that were identified as Other (1.2% of total value, 12.9% of frequency), as well those as those listed as Credit Card and Displays/Exhibit Fees, which represented less than 1% of the total, and those with no Nature of Payment listed.

Education was the *Primary Purpose* accounting for the greatest share of the dollar value of gifts to the top ten Clinical Organizations at \$322,314, or 52.3% of the total. The *Other* category accounted for \$180,097, or 29.2% of the total value, and *Marketing* accounted for an additional \$113,450, or 18.4%. When considering frequency, *Marketing* is the top category, representing 58.9% of the total; *Education* represented 25.8%, followed by *Other* with 15.3% of total frequency.

Figure 14 shows the percent of the total value compared to percent of total frequency for each *Primary Purpose* category.

Figure 14
Clinical Organizations: Primary Purpose
Percent of Total Value (Left) vs. Percent of Frequency (Right)



Payments with Education listed as the Primary Purpose accounted for 52.3% of the dollar value of gifts to Clinical Organizations, but only 25.8% of the gift payments. Marketing was listed as the Primary Purpose most often, 58.9% of the time. *Note:* The “Other” slice includes purposes that were identified as Other (27.2% of total value, 14.7% of frequency), as well those as those listed as Grant, which represented less than 2% of the total.

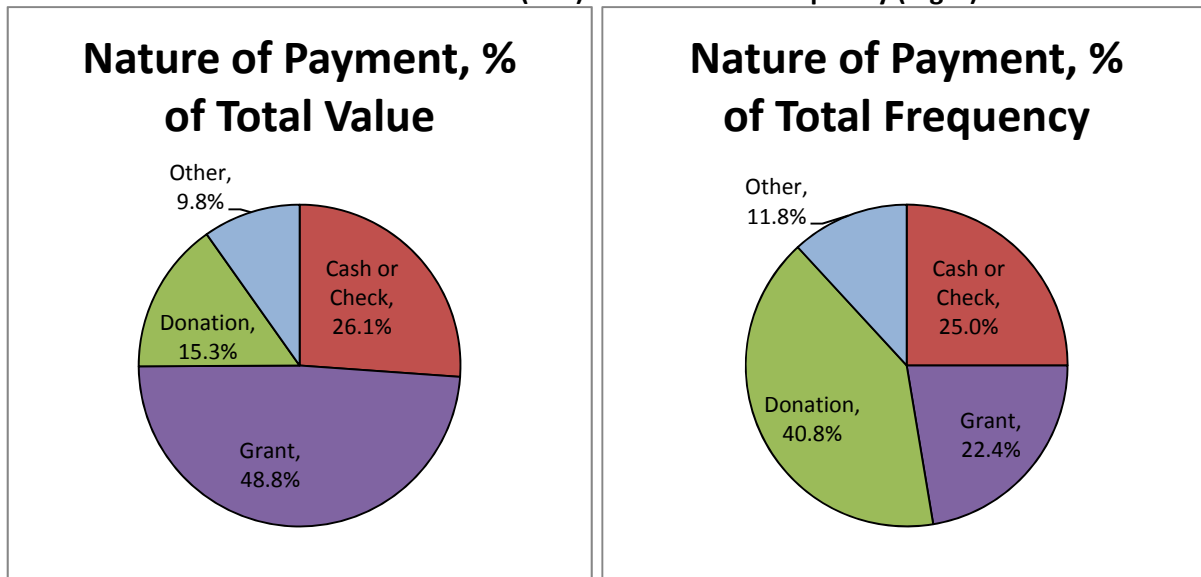
Disease-Specific Organizations

Collectively, the top ten Disease-Specific Organizations received \$5.7 million in 2012. Single gifts to these organizations ranged from \$34 to \$940,500, and the median value was \$17,500. The composition of this group changed somewhat, with five of the ten organizations different in 2012 in comparison to 2011.

Grants to the top ten Disease-Specific Organizations totaled \$2.8 million and accounted for 48.8% of the value of all gifts given to this group. Another \$1.5 million, or 26.1% of the total, was *Cash or Check*; \$873,082, or 15.3%, was designated as *Donation*; and *Other* accounted for the remaining \$559,897, or 9.8% of the total value. In contrast, *Donation* accounted for the largest proportion of frequency with 40.8%. Another 25.0% was designated as *Cash or Check*, 22.4% as *Grant*, and the remaining 11.8% as *Other*.

Figure 15 shows the percent of the total dollar amount versus the percent of frequency for the *Nature of Payment* categories.

Figure 15
Disease-Specific Organizations: Nature of Payment
 Percent of Total Value (Left) vs. Percent of Frequency (Right)



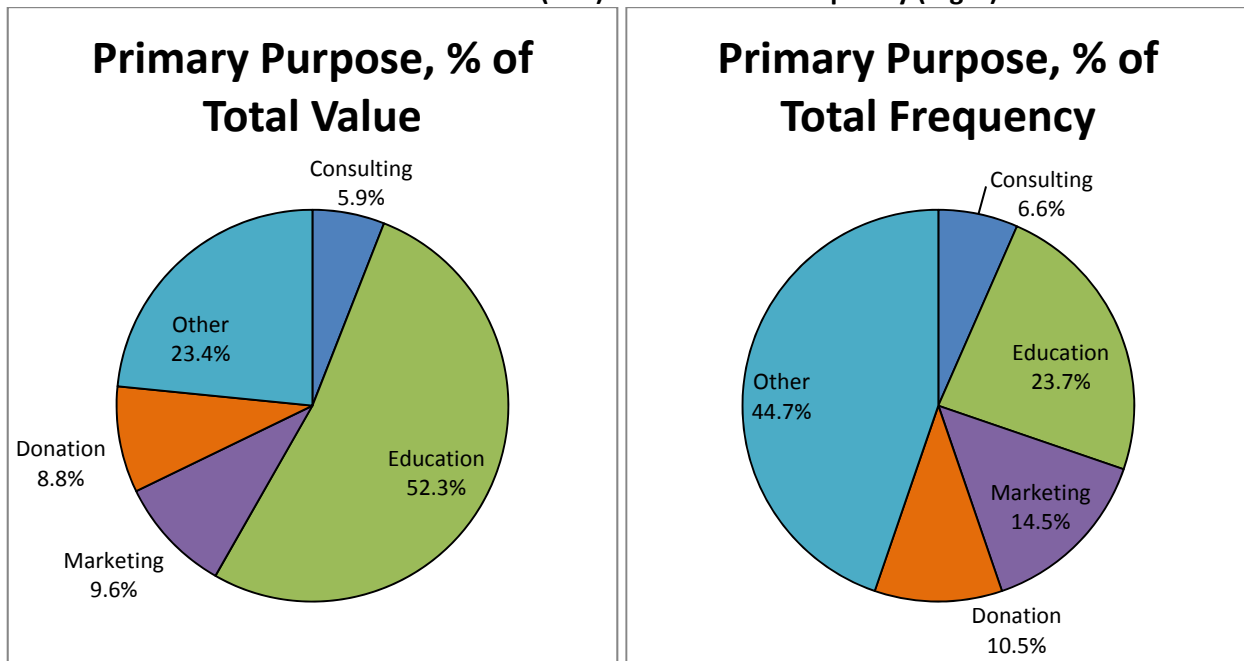
Grant accounted for the largest portion of total value with 48.8%, while Donation accounted for the largest portion of total frequency with 40.8% of gifts given to the top ten Disease-Specific Organizations. *Note:* The “Other” slice includes gifts identified as Other (8.5% of value, 5.3% of frequency) as well as those listed as Food, which represented less than 1% of the total, and those with no response listed.

For the top ten Disease-Specific Organizations, \$3.0 million, or 52.3% of the total amount, was classified as being for the *Primary Purpose of Education*. Remaining categories included *Other*, with 23.4% of the value (\$1.3 million), and *Marketing*, with 9.6% of the total amount (\$546,797). Companies that selected *Other* for their gifts' purposes further indicated purposes of "Sponsorship" and "Charitable Contribution." In regards to frequency of gifts, *Other* accounted for the greatest proportion, with 44.7%, followed by *Education* (23.7%) and *Marketing* (14.5%).

Education has consistently accounted for the largest proportion of total value for Disease-Specific Organizations, but it has accounted for a declining proportion of gifts. In 2010, 75.0% of gifts were for the purpose of *Education*; that share dropped to 64.0% in 2011, and to 23.7% in 2012. *Consulting* emerged as a new category for the top Disease-Specific Organizations in 2012 and accounted for 6.6% of the total frequency. It is possible that some kinds of payments previously characterized as *Education* are now labeled as *Consulting*.

The percent of total dollar amount compared to percent of frequency for each *Primary Purpose* for Disease-Specific Organizations is depicted in Figure 16.

Figure 16
Disease-Specific Organizations: Primary Purpose
Percent of Total Value (Left) vs. Percent of Frequency (Right)



Education accounted for the greatest portion of the value, with 52.3% of gift payments to the top ten Disease-Specific Organizations.

Professional Organizations

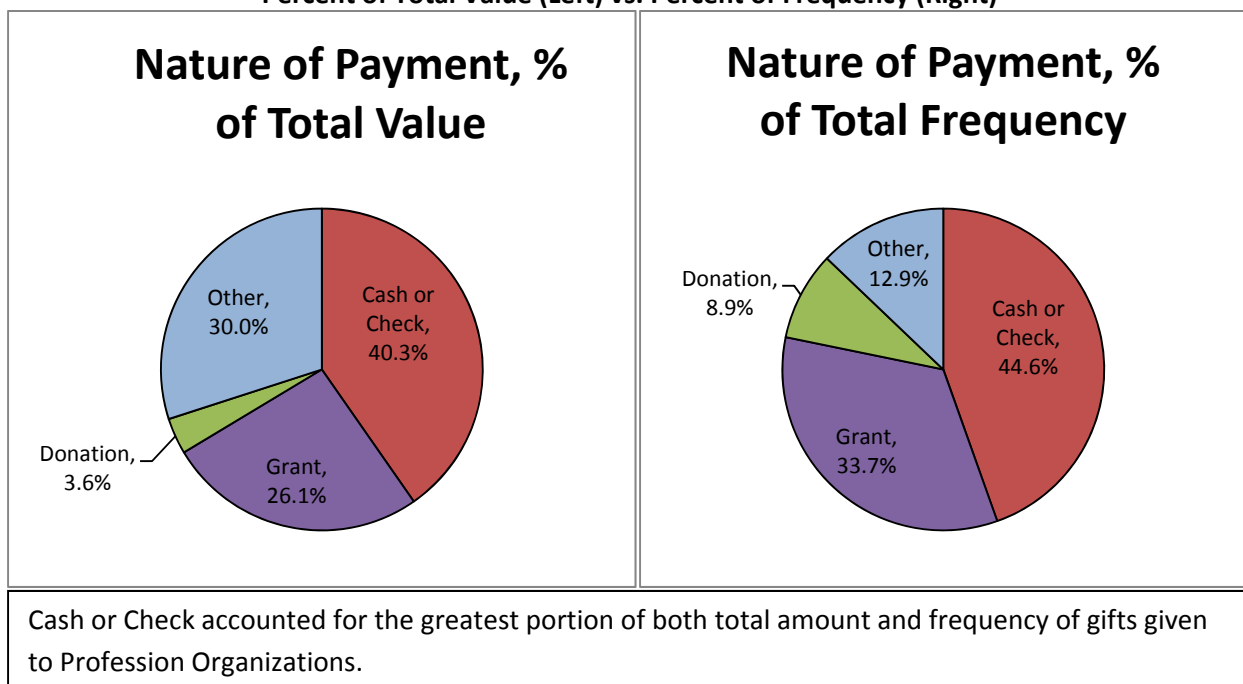
Professional Organizations include organizations that represent healthcare professionals of particular demographic groups, or those that promote research activity within specific fields of medicine. In 2012, the top ten Professional Organizations received \$7.8 million, which represents 39.6% of all money received by Non-Individual Recipients as a whole.

Individual gifts to the top ten Professional Organizations in 2012 ranged from \$40 to \$915,354, with a median value of \$35,000. The organizations in this category received larger gifts from pharmaceutical companies than they did in 2011, when the largest gift was \$500,000 and median gift value was \$20,000.

Monetary gifts – those for which the *Nature of Payment* is *Cash or Check*, *Grant*, or *Donation* – to the top ten Professional Organizations totaled \$5.4 million. *Cash or Check* accounted for \$3.1 million, or 40.3% of total value. *Grants* accounted for \$2.0 million, or 26.1%; *Other* for \$2.3 million, or 30.0%; and *Donations* for \$282,690, or 3.6%. In terms of frequency, *Cash or Check* again accounted for the largest proportion, with 44.6% of the total. *Grants* came in second, accounting for 33.7%, then *Other* with 12.9%, and *Donation* with 8.9%.

Figure 17 shows the percent of the total dollar amount versus the percent of frequency for *Nature of Payment* categories for top ten Professional Organizations.

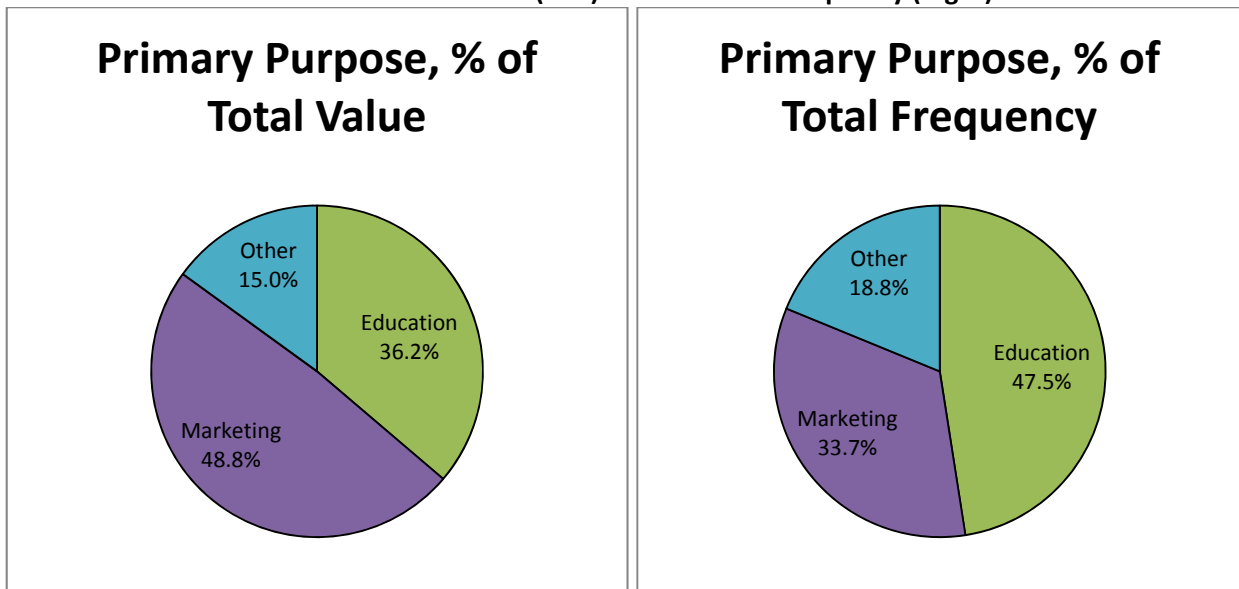
Figure 17
Professional Organizations: Nature of Payment
Percent of Total Value (Left) vs. Percent of Frequency (Right)



For the top ten Professional Organizations, *Marketing* accounted for the largest portion of *Primary Purpose* amount, with \$3.8 million, or 48.8% of the total gifts. *Education* accounted for the second-greatest amount, with \$2.8 million (36.2% of the total), and *Other* for the remaining \$1.2 million (15.0%). Companies that selected *Other* for their gifts' purposes further indicated purposes of "Sponsorship" and "Charitable Contribution." In terms of frequency, 47.5% of gifts were for the purpose of *Education*, 33.7% for *Marketing*, and 18.8% for *Other*. This shows a significant shift to *Marketing* when compared to 2011, when it accounted for only 28.8% of total amount and 19.4% of frequency. *Education*, meanwhile, has declined from 55.3% of the value and 50.0% of frequency in 2011.

Figure 18 depicts the percent of the total dollar amount compared to percent of frequency for each *Primary Purpose* category.

Figure 18
Professional Organizations: Primary Purpose
Percent of Total Value (Left) vs. Percent of Frequency (Right)



Gifts with the Primary Purpose of Marketing accounted for the largest portion of total value, with 48.8%, while Education accounted for the greatest portion of frequency, with 47.5% of the gifts to Professional Organizations. *Note:* The "Other" slice includes gifts identified as Other (14.8% of value, 17.8% of frequency) as well as those listed as Consulting, which represented less than 1% of the total.

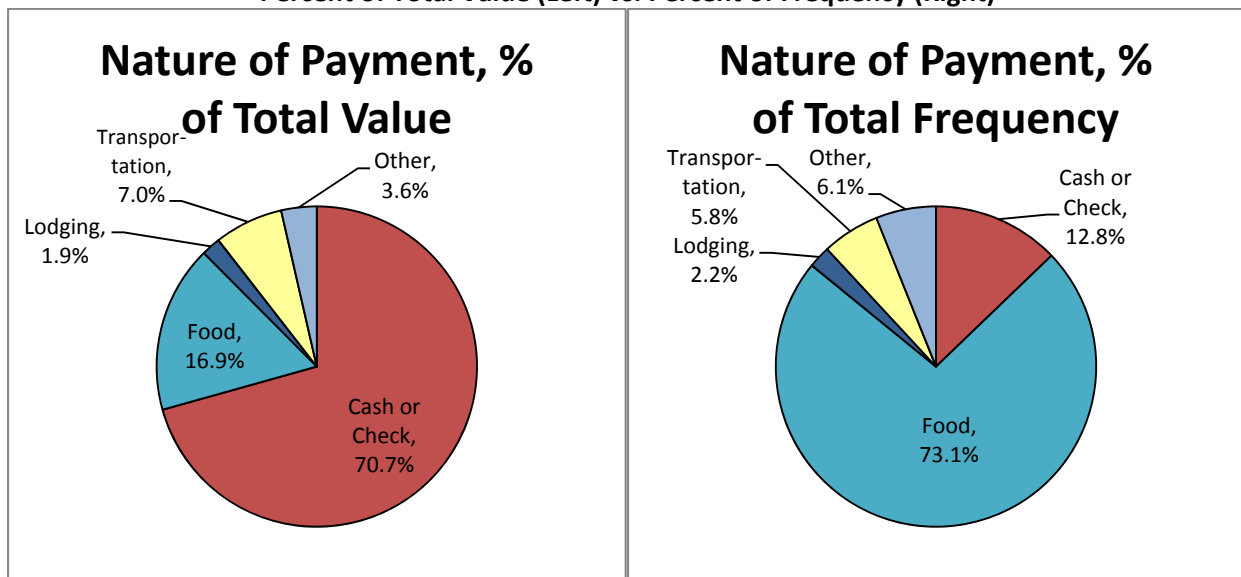
Payments to Individual Recipients

In 2012, Individual Recipients received a total of \$10.8 million in gifts. Single payments to individuals ranged from less than a dollar to \$61,000; the median value was \$89. This is an increase over 2011's \$9.2 million gift total with a median value of \$75.

When considering the *Nature of Payment* for gifts to individuals, gifts in the form of *Cash or Check* accounted for \$7.6 million, or 70.7% of the dollar value of all gifts to Individuals, and *Food* gifts for \$1.8 million, or 16.9%. A smaller proportion included *Transportation* with \$747,914 (7.0%), *Other* with \$384,419 (3.6%), and *Lodging* with \$207,734 (1.9%). When considering gift frequency, 73.1% of gifts took the form of *Food*. The remainder was in the form of *Cash or Check* (12.8%), *Other* (6.1%), *Transportation* (5.8%), and *Lodging* (2.2%). This is consistent with the ongoing trend of most gifts taking the form of *Food* while *Cash or Check* accounts for the greatest share of gift value. *Cash or Check* gifts have increased slightly from 68.6% of Individual gift value (\$6.3 million) in 2011 to 70.7% in 2012 (\$7.6 million).

Figure 19 depicts the percent of total dollar amount compared to percent of frequency for each *Nature of Payment* category.

Figure 19
Individual Recipients as a Whole: Nature of Payment
Percent of Total Value (Left) vs. Percent of Frequency (Right)

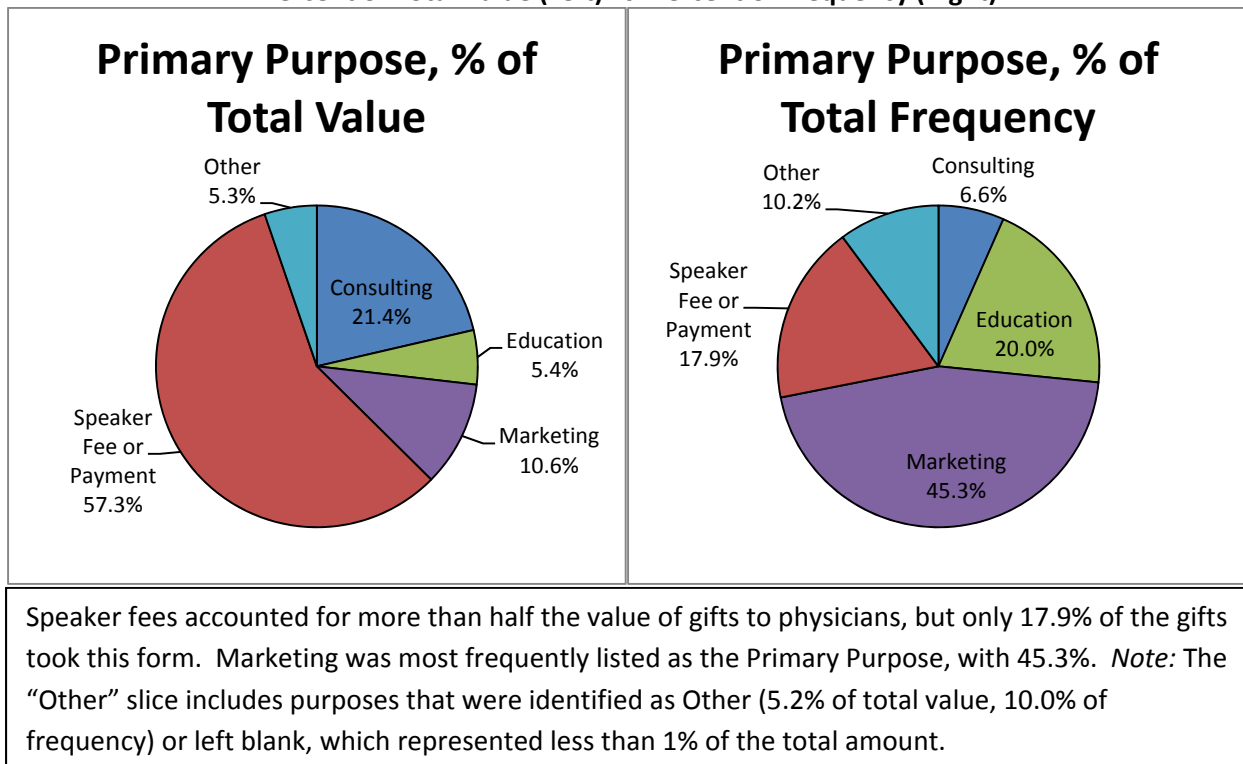


For Individual Recipients as a whole, the largest dollar amount was given in the form of Cash or Check. However, nearly three-quarters of all gifts took the form of Food, which only accounted for 16.9% of the value of gifts. *Note:* The "Other" slice includes payments that were listed as Other (3.0% of value and 3.6% of frequency) as well as payments with no Nature of Payment listed and those identified as Book and Donation, each of which represented less than 1% of the total amount.

Speaker Fee or Payment accounted for the largest proportion of total value of *Primary Purpose*, with \$6.2 million, or 57.3% of the value of gifts to Individuals. Gifts for *Consulting* totaled \$2.3 million (21.4%), *Marketing* totaled \$1.1 million (10.6%), *Education* \$586,335 (5.4%), and *Other* \$566,306 (5.3%). In terms of frequency, *Marketing* accounted for 45.3% of gifts; other categories included *Education* (20.0%), *Speaker Fee or Payment* (17.9%), *Other* (10.2%), and *Consulting* (6.6%). This again shows a shift towards *Marketing*, with total value up from 10.2% in 2011 and frequency up from 36.1%.

The percent of total dollar value versus percent of frequency for each *Primary Purpose* category is shown in Figure 20.

Figure 20
Individual Recipients as a Whole: Primary Purpose
Percent of Total Value (Left) vs. Percent of Frequency (Right)



Physicians

As in previous years, in 2012, pharmaceutical companies gave many physicians many inexpensive food gifts and a few physicians high-value payments. Physicians (MDs and DOs) received 95.2% of payments to individual recipients – a total of \$10.2 million. This reverses a trend of falling payments to physicians, who received \$8.5 million in 2010 and \$7.5 million in 2011. The median value of individual gifts to physicians rose from \$74 to \$91, and the value of the largest single gift rose from \$27,500 to \$61,000 between 2011 and 2012.

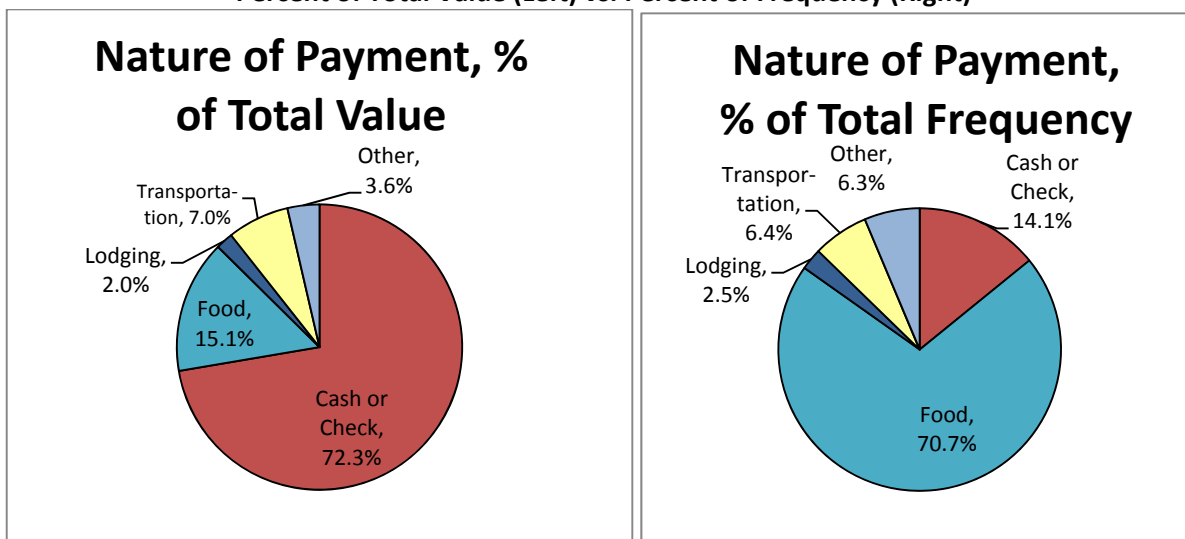
The large increase in the amount of physician gifts – from \$7.5 million in 2011 to \$10.2 million in 2012 – is due mainly to an increase in *Cash or Check* gifts, which jumped from \$5.5 million to \$7.4 million. Nearly three-fourths (72.3%) of the total value of gifts to physicians took the form of *Cash or Check*. Gifts in the form of *Food* totaled \$1.5 million (15.1% of the value of physician gifts), followed by gifts of *Transportation* with \$718,199 (7.0%), *Other* with \$371,029 (3.6%), and *Lodging* with \$200,313 (2.0%).

A total of \$2.5 million (34.2% of physician *Cash or Check* gifts) in *Cash or Check* payments went to 15 physicians who received cash or check gifts totaling more than \$100,000 each. Three physicians received more than 100 *Cash or Check* payments, and 10 physicians received 50 or more.

Food gifts to physicians were more common but far less costly, accounting for 70.7% of total frequency of *Nature of Payment*. Additional categories were *Cash or Check* (14.1%), *Transportation* (6.4%), *Other* (6.3%), and *Lodging* (2.5%).

Figure 21 shows the percent of total dollar amount compared to percent of frequency for each *Nature of Payment* category.

Figure 21
Individual Physician Recipients: Nature of Payment
Percent of Total Value (Left) vs. Percent of Frequency (Right)



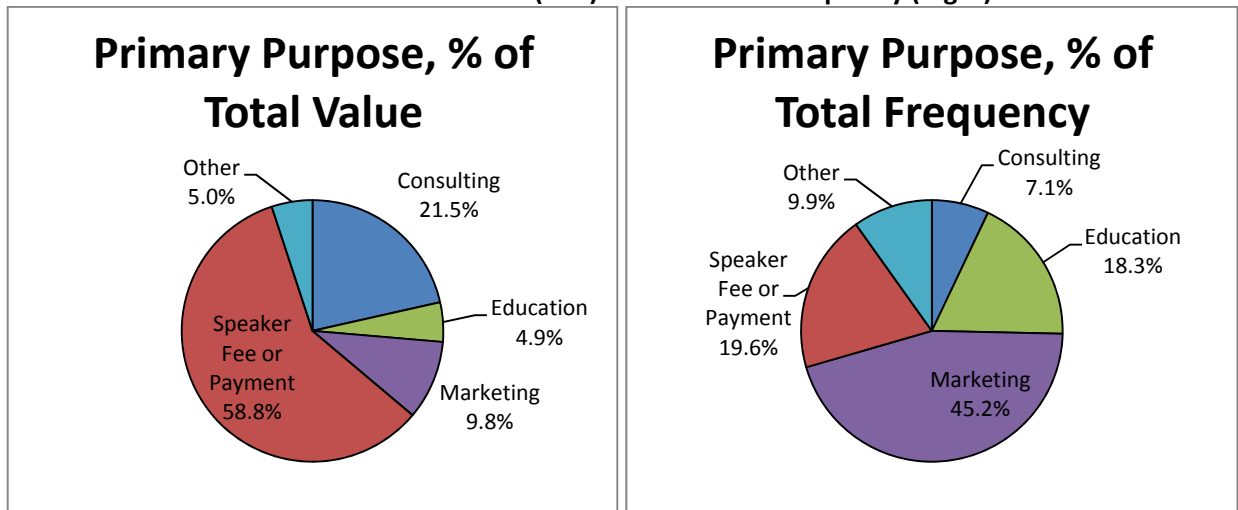
For gifts to Physicians, nearly three-quarters of gift value was in the form of *Cash or Check*, while nearly three-quarters of gifts were in the form of *Food*. *Note:* The “*Other*” slice includes purposes that were identified as *Other* (3.1% of total value, 3.9% of frequency) as well as those listed as *Book* and *Honoraria*, each of which represents less than 1% of the total.

Food gifts are generally linked to visits from pharmaceutical sales representatives, or detailers, although not every visit is catered. We examined the number of food payments individual physicians received. In 2012, more than 3,200 physicians received food gifts from pharmaceutical companies, and 472 of them – more than one in 10 – received 10 or more food gifts. Twenty physicians received 52 or more food gifts over the year, averaging a meal or more each week from a pharmaceutical company. Compared to 2011, 2012 saw a slight reduction in the total number of physicians receiving food gifts; an increase in the number receiving 10 or more food gifts (from 444 to 472); and a decrease in the number receiving 52 or more food gifts (from 33 to 20).

Speaker Fee or Payment was the *Primary Purpose* accounting for the greatest share of the total value of physician gifts, with \$6.0 million, or 58.8% of the total \$10.2 million. (Payments for the purpose of “speaker fee” can include transportation, food, and lodging as well as cash or check payments.) Gifts with the *Primary Purpose* of *Consulting* totaled \$2.2 million (21.5% of the total), *Marketing* totaled \$1.0 million (9.8%), *Other* totaled \$516,864 (5.0%), and *Education* totaled \$498,546 (4.9%). When considering the frequency of gifts to physicians, *Marketing* made up the greatest proportion, with 45.2%. This was followed by *Education* (18.3%), *Speaker Fee or Payment* (19.6%), *Other* (9.9%), and *Consulting* (7.1%).

Figure 22 depicts the percent of total dollar value versus the percent of frequency for each *Primary Purpose* category.

Figure 22
Individual Physician Recipients: Primary Purpose
Percent of Total Value (Left) vs. Percent of Frequency (Right)



Speaker fees accounted for more than half the value of gifts to Physicians, but only 19.6% of gifts took this form. Marketing was most frequently listed as the Primary Purpose. *Note:* The “Other” slice includes purposes that were identified as Other (5.0% of total value, 9.8% of frequency) as well as those left blank with nothing reported.

With speaker fees and payments accounting for over half the value of gifts to physicians, it is worthwhile to examine these gifts more closely. In 2012, 394 physicians received \$6.0 million in speaking-fee gifts. The average total amount these physicians received from pharmaceutical companies was \$15,284, while the median total was far lower, at \$1,737. This indicates that a few physicians are receiving large sums for speaking, while most of the 394 physicians getting speaking payments are getting smaller amounts. The 10 physicians with the highest speaking-payment totals together received \$1.8 million. Fifteen physicians received more than \$100,000 apiece in speaking gifts during 2012, and their combined gifts totaled \$2.3 million.

Compared to 2011, the total amount given to physicians for speaking rose substantially, from \$4.0 million to \$6.0 million. The mean speaking-gift total rose from \$8,363 to \$15,284, while the median jumped from \$298 to \$1,737. In 2011, only four physicians received speaking-gift totals of more than \$100,000; in 2012, that number more than tripled to 15.

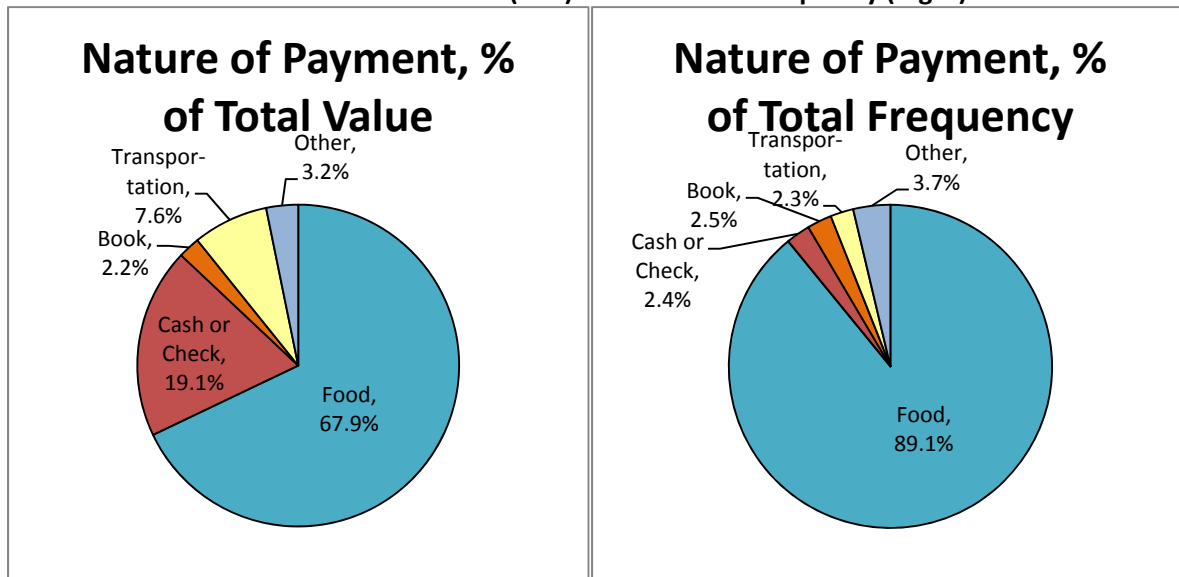
Nurses

As with doctors, nurses were identified based on credentials – in this case, RN, NP, APRN, or “Nurse.” Gifts to nurses totaled \$205,756, which represents less than two percent of all Individual Recipients’ gifts. The median gift value was \$84, and the range was from less than a dollar to \$2,700. This represents an increase from the total of \$158,175 and median of \$57 in 2011. Nurses consistently receive a relatively low gift total compared to physicians, whose gifts accounted for 95.2% of the value of all gifts to individuals and had a median value of \$91 and maximum value of \$61,000.

Nurse gifts for which the *Nature of Payment* was *Food* totaled \$139,736, or 67.9% of the \$205,756 total. Another \$39,313, or 19.1%, was in the form of *Cash or Check*; \$15,592, or 7.6%, was for *Transportation*; \$6,591, or 3.2%, for *Other*; and \$4,524, or 2.2%, for *Book*. When considering frequency, the vast majority of gifts, 89.1%, were in the form of *Food*.

Figure 23 shows the percent of total dollar amount compared to percent of frequency for each *Nature of Payment* category.

Figure 23
Individual Nurse Recipients: Nature of Payment
Percent of Total Value (Left) vs. Percent of Frequency (Right)

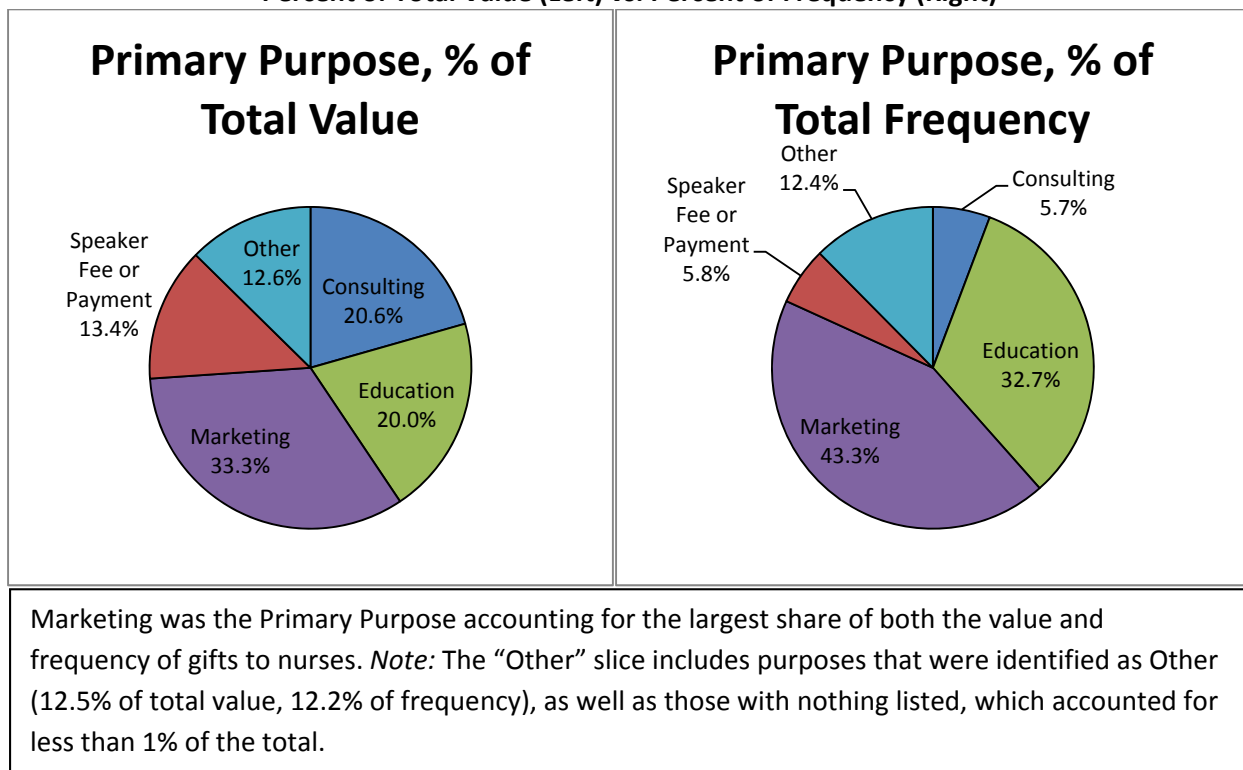


Gifts to Nurses usually took the form of Food (89.1%), and Food accounted for more than half of the value of gifts to this group. *Note:* The “Other” slice includes purposes that were identified as Other (1.3% of total value, 2.2% of frequency), as well as those listed as Lodging, which accounted for less than 2% of the total.

Of the total amount of nurse gifts, \$68,576, or 33.3%, was classified as having a *Primary Purpose* of *Marketing*. Gifts to nurses for the purpose of *Consulting* totaled \$42,349, or 20.6% of Nurse gifts, showing a large increase from 11.3% of the total amount in 2011. *Education* gifts totaled \$41,177, or 20.0%; *Speaker Fee or Payment* gifts \$27,665, or 13.4%; and *Other* gifts \$25,989, or 12.6%. When considering frequency, the *Primary Purpose* was most often *Marketing*, which accounted for 43.3% of gifts. The second most frequent category was *Education* (32.7%), followed by *Other* (12.4%), *Speaker Fee or Payment* (5.8%), and *Consulting* (5.7%).

Figure 24 depicts the percent of total dollar value versus percent of frequency for each *Primary Purpose* category.

Figure 24
Individual Nurse Recipients: Primary Purpose
Percent of Total Value (Left) vs. Percent of Frequency (Right)



V. Subgroup Analysis

Additional analyses were conducted on two subgroups: the companies with the highest reported expenditures (based on total *Gift Expense* rank), and the companies whose gift expenditures placed them near the median of reported gift expenditures.

Gift Expenses: Subgroup A

Total *Gift Expenses* for Subgroup A, the four companies that reported the largest gift expenditure totals, equaled \$11.4 million, or 37.3% of all *Gift Expenses* reported. This figure is a substantially higher than the 2011 Subgroup A *Gift Expenses* total of \$7.1 million, but it represents a similar proportion of the all-company total; in 2011, Subgroup A's gifts accounted for 37.8% of that year's gift value. Because subgroup selection is based on the current year's reported expenditures, the composition of this subgroup varies from year to year; three of the four companies in the 2012 Subgroup A were also in the 2011 Subgroup A.

Recipient Type

For Subgroup A, *Physicians* were the most frequently named *Recipient Type*, being listed 58.9% of the time. This shows a continued decline in the percentage of gifts going towards *Physicians*; their share of gifts from Subgroup A companies was 71.3% in 2011 and 83.2% in 2010. The highest total dollar amount went to *Organizations*, with \$10.1 million, or 88.9% of the total value. *Physicians* were the *Recipient Type* that accounted for the second-greatest share of gift dollars, totaling \$1.2 million, or 10.5%. Compared to 2011, Subgroup A is giving more to organizations and less to physicians.

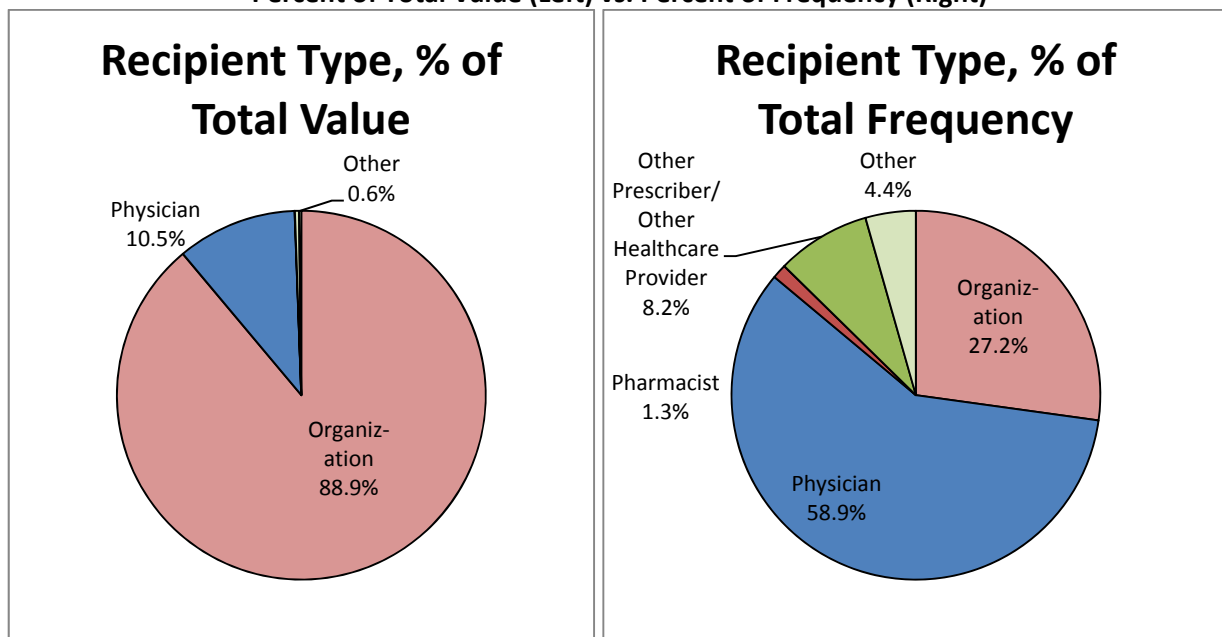
For the top recipient types, the median value and range of payments were calculated:

- **Organization:** median payment of \$118, with payments ranging from \$8 to \$915,354
- **Physician:** median payment of \$99, ranging from less than one dollar to \$10,875

Figure 25 shows the percent of total dollar amount received versus percent of total frequency.

Figure 25

**Subgroup A, High Gift Expenditures: Recipient Type
Percent of Total Value (Left) vs. Percent of Frequency (Right)**



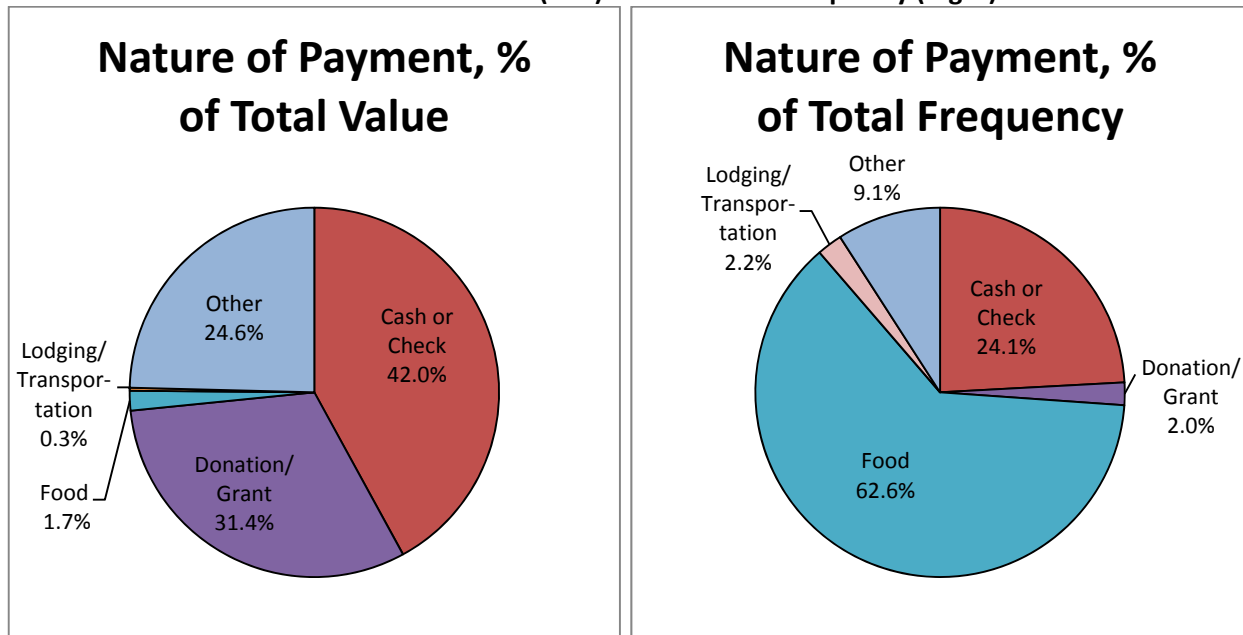
Physicians received the largest number of payments, but Organizations received the largest dollar amount from companies in Subgroup A. *Note:* In both charts, the “Other” slice includes purposes that were identified as Other (0.2% of total value, 3.8% of frequency), as well as those with Pharmacy listed, which accounted for less than 1% of the total. In the Value chart, the “Other” slice also includes Other Prescriber/Other Healthcare Provider, which accounted for 0.4% of the value.

Nature of Payment

Subgroup A's Gift Expenses were categorized into five groupings: *Cash or Check*, *Donation/Grant*, *Food*, *Lodging/Transportation*, and *Other*. The most value came from *Cash or Check*, with \$4.8 million, or 42.0% of the total amount. *Donation/Grant* accounted for the second-greatest amount, with \$3.6 million, or 31.4% of total gift value. In terms of frequency, *Food* made up the largest proportion, with 62.6%, followed by *Cash or Check*, with 24.1%. These categories are consistent with past years and show an ongoing trend of *Cash or Check* making up the greatest value and *Food* making up the greatest frequency of gifts.

Figure 26 shows the percent of total dollar amount compared to percent of frequency for each *Nature of Payment* category.

Figure 26
Subgroup A, High Gift Expenditures: Nature of Payment
Percent of Total Value (Left) vs. Percent of Frequency (Right)



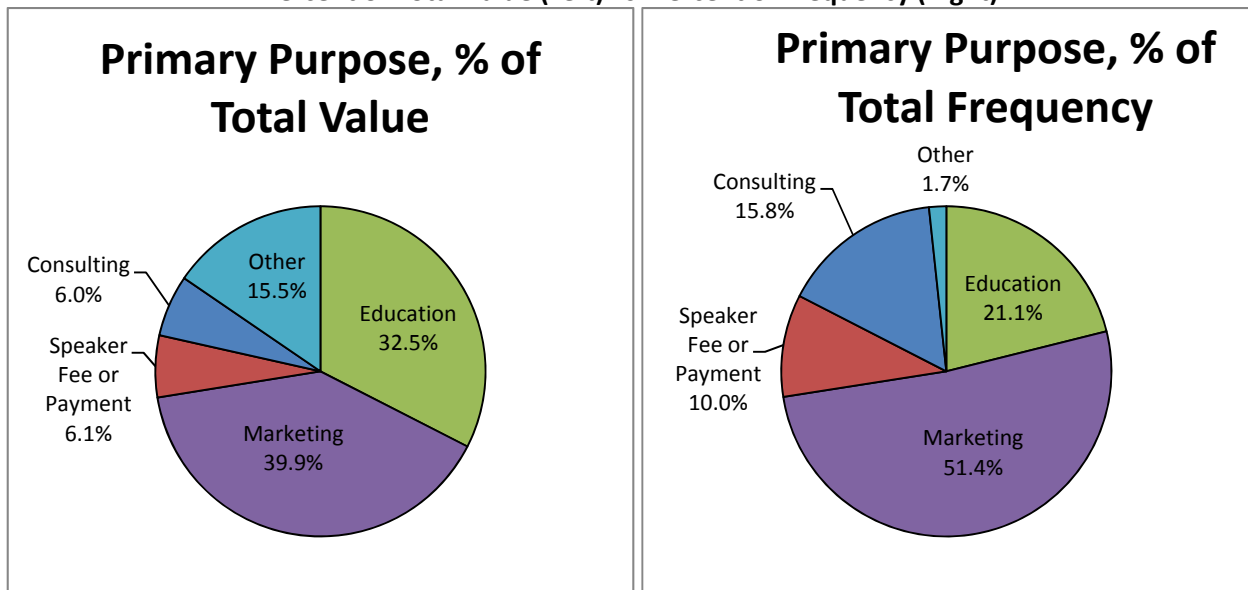
Payments in the form of Cash or Check represent the largest portion of total value (42.0%), while only accounting for 24.1% of total frequency. While Food only accounted for 1.7% of total value, it represented the largest portion of total frequency (62.6%). *Note:* The "Other" slice includes payment types that were identified as Other (24.5% of total value, 4.8% of frequency), as well as those not identified and those listed as Book.

Primary Purpose

For Subgroup A, *Marketing* was the *Primary Purpose* accounting for the greatest share of value, with \$4.5 million, or 39.9% of the total gift amount; *Education* was just behind it with \$3.7 million, or 32.5%. The remainder was for purposes of *Other*, with \$1.8 million (15.5%); *Speaker Fee or Payment*, with \$689,283 (6.1%); and *Consulting*, with \$686,380 (6.0%). In terms of frequency, *Marketing* was the *Primary Purpose* of 51.4% of gifts. The remaining half of frequency was made up by *Education* (21.1%), *Consulting* (15.8%), *Speaker Fee or Payment* (10.0%), and *Other* (1.7%). This marks a dramatic shift of gifts from the *Education* category to the *Marketing* category. Between 2011 and 2012, the percentage of Subgroup A gifts classified as *Education* dropped from 53.5% to 21.1%, while those described as *Marketing* jumped from 18.3% to 51.4%.

Figure 27 shows the percent of total dollar value versus percent of frequency for each *Primary Purpose* category.

Figure 27
Subgroup A, High Gift Expenditures: Primary Purpose
Percent of Total Value (Left) vs. Percent of Frequency (Right)



For Primary Purpose, Marketing accounted for the both the greatest portion of total value and greatest number of gifts from Subgroup A.

Gift Expenses: Subgroup B

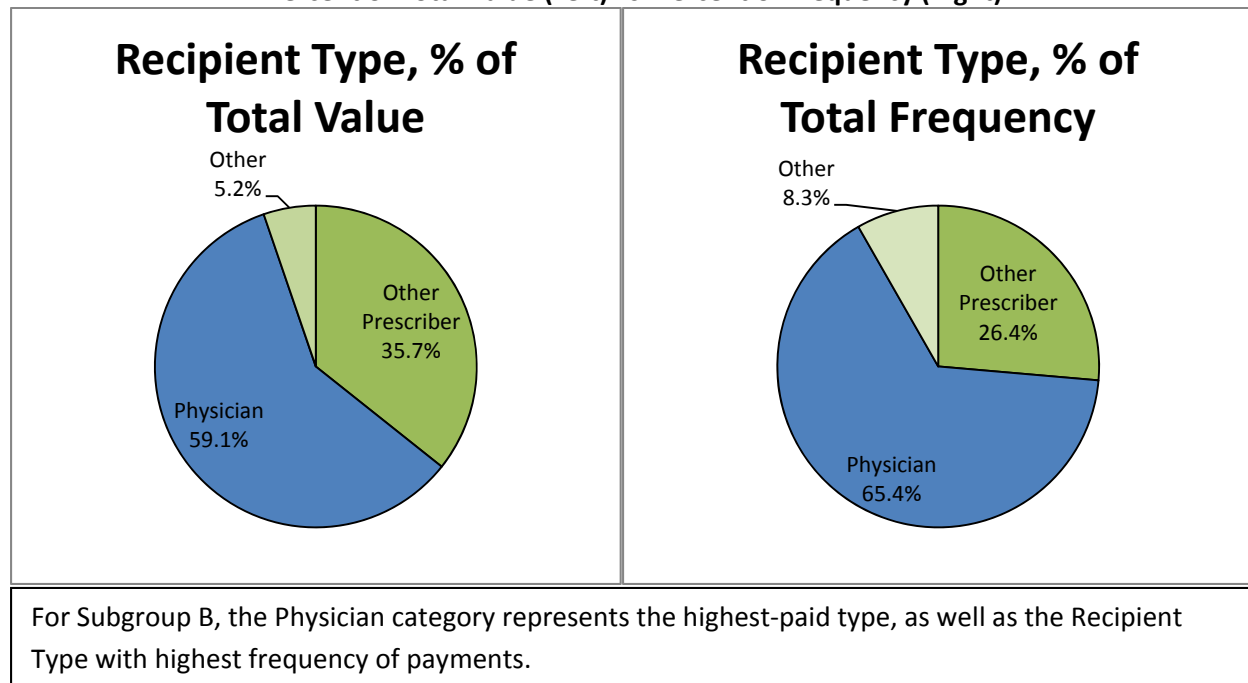
Subgroup B represents pharmaceutical companies with mid-level spending and includes three companies that reported *Gift Expenses* centered around the median value for all *Gift Expenses* greater than zero, which equaled \$38,605. The three companies' *Gift Expenses* totaled \$118,191. This represents a significant increase from the 2011 median value of \$16,395, as well as an increase in combined expenditures of Subgroup B from 2011 (\$49,234). None of the three 2011 Subgroup B companies appeared in the 2012 Subgroup B.

Recipient Type

For Subgroup B, *Physicians* received both the greatest number of payments (65.4%) and the largest total dollar amount (\$69,800, or 59.1% of the total). *Other Prescribers* received 26.4% of gifts, and 35.7% of total value, or \$42,188. Recipients designated as *Other* received 8.3% of the total frequency and 5.2% of the total value, or \$6,203. Most of the payments classified as *Other* were further described as RNs or other clinicians. Hospitals were previously reported as a recipient type, but hospitals did not appear as recipients in the 2012 Subgroup B.

Figure 28 depicts the percent of the total dollar amount versus the percent of frequency for each *Recipient Type* category.

Figure 28
Subgroup B, Mid-Level Gift Expenditures: Recipient Type
Percent of Total Value (Left) vs. Percent of Frequency (Right)

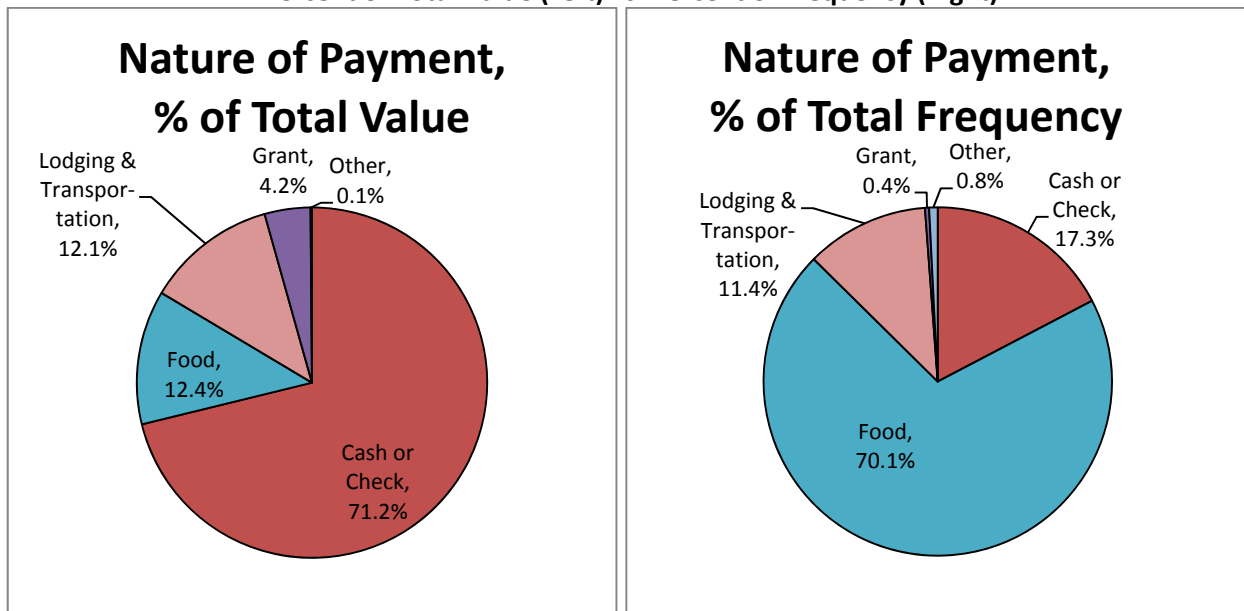


Nature of Payment

For Subgroup B, *Cash or Check*, *Grant*, *Donation*, *Food*, and *Other* were listed as the *Nature of Payment*. *Cash or Check* accounted for the largest amount of total value with \$84,124, or 71.2% of the total. This was followed by *Food* with 12.4%, or \$14,637; *Lodging and Transportation* with 12.1%, or \$14,282; *Grant* with 4.2%, or \$5,000; and *Other* with 0.1%, or \$148. In terms of frequency, 70.1% of gifts took the form of *Food*, 17.3% were *Cash or Check*, 11.4% were *Lodging and Transportation*, 0.8% were classified as *Other*, and 0.4% were *Grant*.

Figure 29 shows the total dollar amount compared to the percent of frequency for each *Nature of Payment*.

Figure 29
Subgroup B, Mid-Level Gift Expenditures: Nature of Payment
Percent of Total Value (Left) vs. Percent of Frequency (Right)



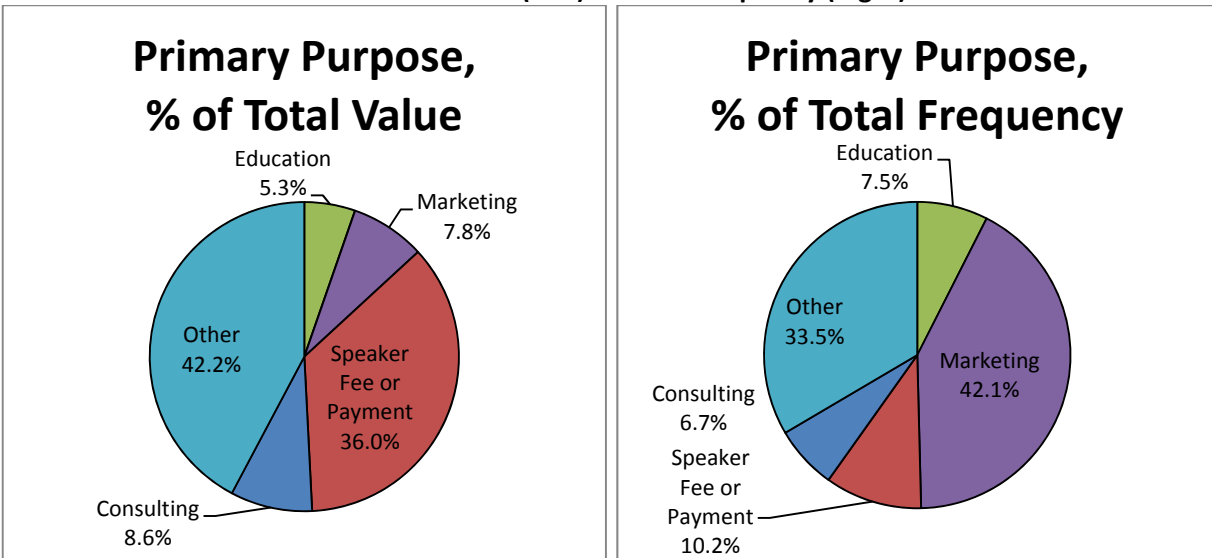
Payments in the form of Cash or Check represent the largest portion of total value with 71.2%, while only accounting for 17.3% of total frequency. While Food only accounted for 12.4% of total value, it represented the largest portion of total frequency with 70.1%. *Note:* The “Other” slice includes payment types that were identified as Other (0.04% of total value, 0.4% of frequency), as well as those listed as Book.

Primary Purpose

The five *Primary Purposes* listed for Subgroup B were *Speaker Fee or Payment*, *Consulting*, *Marketing*, *Education*, and *Other*. *Speaker Fee or Payment* accounted for the largest categorized proportion of total value, with \$42,599, or 36.0%. In terms of frequency, *Marketing* accounts for the largest portion, at 42.1%. Another 33.5% of gifts were in the *Other* category. Gifts were also categorized as *Speaker Fee or Payment* (10.2%), *Education* (7.5%), and *Consulting* (6.7%). *Marketing* emerged as a new category for Subgroup B, while *Education* declined dramatically both in terms of value (from 48.1% in 2011 to 5.1% in 2012) and frequency (from 75.2% to 7.5%).

Figure 30 shows the percent of total dollar amount in comparison to frequency for each *Primary Purpose*.

Figure 30
Subgroup B, Mid-Level Gift Expenditures: Primary Purpose
% of Total Value (Left) vs. % of Frequency (Right)



Speaker fees accounted for the largest portion of categorized value (36.0%), while Marketing accounted for the largest portion of gifts (42.1%).

Gift Expenses Subgroup Comparison

Subgroups A and B appeared to follow similar trends in regard to gift payments. Physicians were the primary targets of gifts by both high-spending and median-level spending companies, although Subgroup A spent less on physicians than in past years, and more on organizations. For both groups, *Food* was the most commonly given gift, but *Cash or Check* gifts accounted for the largest financial share of the total gift value given.

Subgroup A matched trends in companies as a whole in giving the most to *Organizations*. Between 2011 and 2012, there was a large increase in gift spending in all groups, which shows an even greater amount going towards *Organizations*. Both groups reported *Marketing* as the most frequent *Primary Purpose*, and for both groups *Cash or Check* was the *Nature of Payment* accounting for the largest share of gift value. In 2011, *Education* was the most frequent *Primary Purpose* for both subgroups, but *Marketing* took that position in 2012. In addition, Subgroups A's *Marketing* gifts accounted for the greatest share of their spending, while the *Primary Purpose* accounting for most of Subgroup B's gift value was *Speaker Fee or Payment*.

Table 8 summarizes characteristics of the *Gift Expenses* of Subgroups A and B.

Table 8

Comparison of Companies as a Whole to Subgroups A and B							
	Total Amount Spent (\$)	Most Frequent Recipient Type	Recipient Type Receiving Most Money	Most Frequent Nature of Payment	Nature of Payment Receiving Most Money	Most Frequent Primary Purpose	Primary Purpose Receiving Most Money
Companies as a whole	30,487,486	Physician	Organization	Food	Cash or Check	Marketing	Education
Subgroup A	11,382,006	Physician	Organization	Food	Cash or Check	Marketing	Marketing
Subgroup B	118,191	Physician	Physician	Food	Cash or Check	Marketing	Speaker Fee or Payment

VI. Advertising Expenses

An analysis was performed on all companies that reported advertising expenses, and also on a subgroup of the three companies that spent the most on advertising. Both the *Type of Activity* and *Medium Type* were compared.

Advertising Expenses: Companies as a Whole

As stated, 66 of 147 companies reported 2012 *Advertising Expenses* totaling \$5.4 million. Advertising activities listed varied considerably among companies, but could be sorted into five general categories: *Direct to Consumer Spending*, *Promotional Activities*, *Advertising*, *Market Research*, and *Other*.

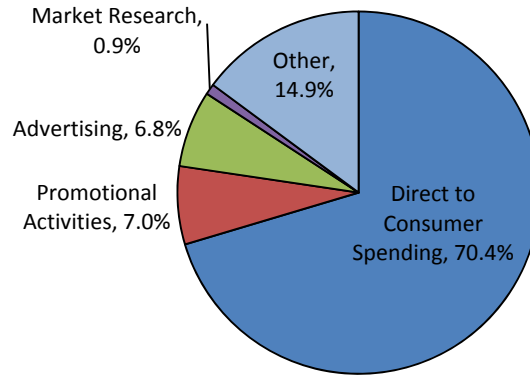
The *Direct to Consumer* category accounted for the greatest dollar amount, with \$3.8 million, or 70.4% of all *Advertising Expenses*; however, it only accounted for 1.2% of total frequency. Another \$809,276 (14.9% of the total value) was classified as *Other*. *Promotional Activities* had the next-greatest value with \$379,170, or 7.0% of the total; *Advertising* accounted for \$372,608 (6.8%), and *Market Research* for \$51,482 (0.9%).

When considering frequency of different types of *Advertising Expenses*, the picture is very different. The majority of advertising expenditures had no activity type reporting, so *Other* was the default category for 95.9% of *Advertising Expenses*. Companies that selected *Other* for their activity types further indicated "Other Marketing & Advertising Costs," "Other Promotional Activities," and "Printing Costs." The remaining reported advertising categories are *Advertising* (1.4%), *Promotional Activities* (1.4%), and *Direct to Consumer Spending* (1.2%).

Figure 31 depicts the dollar amount breakdown for *Type of Activities* for companies as a whole. Figure 32 depicts the frequency breakdown for all companies.

Figure 31

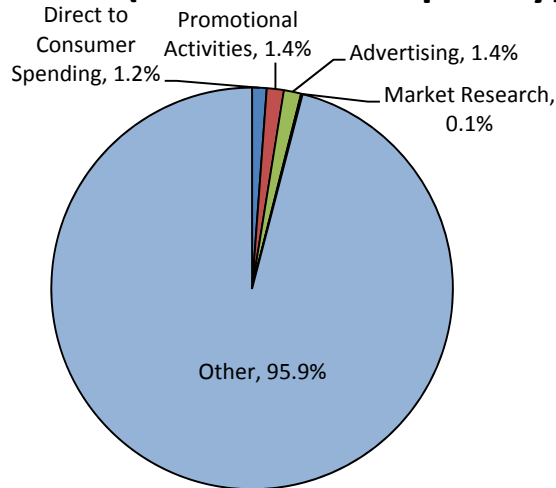
Total Advertising Expenses, Type of Activities (% of Total Value)



66 Total Companies with Reported Advertising Expenses

Figure 32

Total Advertising Expenses, Type of Activities (% of Total Frequency)



66 Total Companies with Reported Advertising Expenses

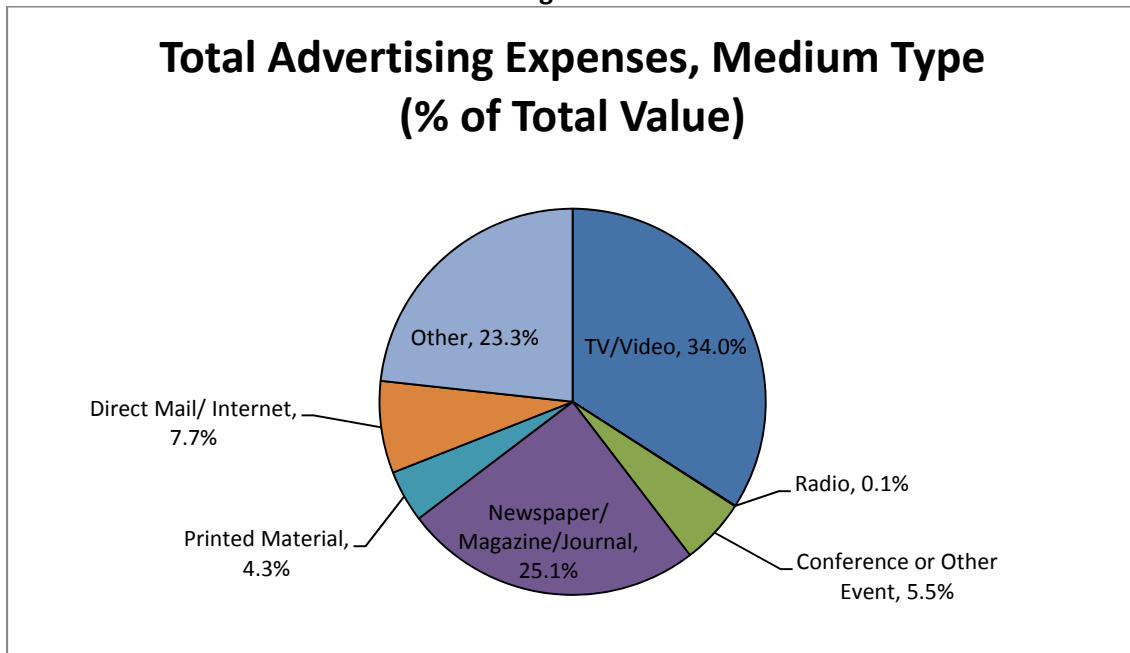
Note: The category "Other" includes activities identified by companies as Other Marketing & Advertising Costs, Other Promotional Activities, and Printing Costs.

Advertising *Medium Type* responses also varied significantly among companies, and were grouped into seven categories: *TV/Video*, *Radio*, *Conference or Other Event*, *Newspaper/Magazine/Journal*, *Printed Material*, *Direct Mail/Internet*, and *Other*. The largest amount went to *TV/Video* with, \$1.9 million, or 34.0% of the total; this was followed by *Newspaper/Magazine/Journal* with \$1.4 million, or 25.1%, and *Other* with \$1.3 million, or 23.3%. The other categories were *Conferences or Other Event* with \$299,930, or 5.5% of the total; *Direct Mail/Internet* with \$419,952, or 7.7%; *Printed Material* with \$236,854, or 4.3%; and *Radio* with \$2,901, or 0.1%.

As was the case for *Type of Activity*, many companies did not give *Medium Type* responses, so most expenditures are classified as *Other*. Companies that selected *Other* for their expenditures' medium types listed media including "Mixed Media," "Patient Media," and "Telephone." The remaining medium types and their frequencies were *Direct Mail/Internet* (1.1%), *Newspaper/Magazine/Journal* (1.1%), *Printed Material* (0.8%), *Conference or Other Event* (0.2%), and *TV/Video* (0.1%).

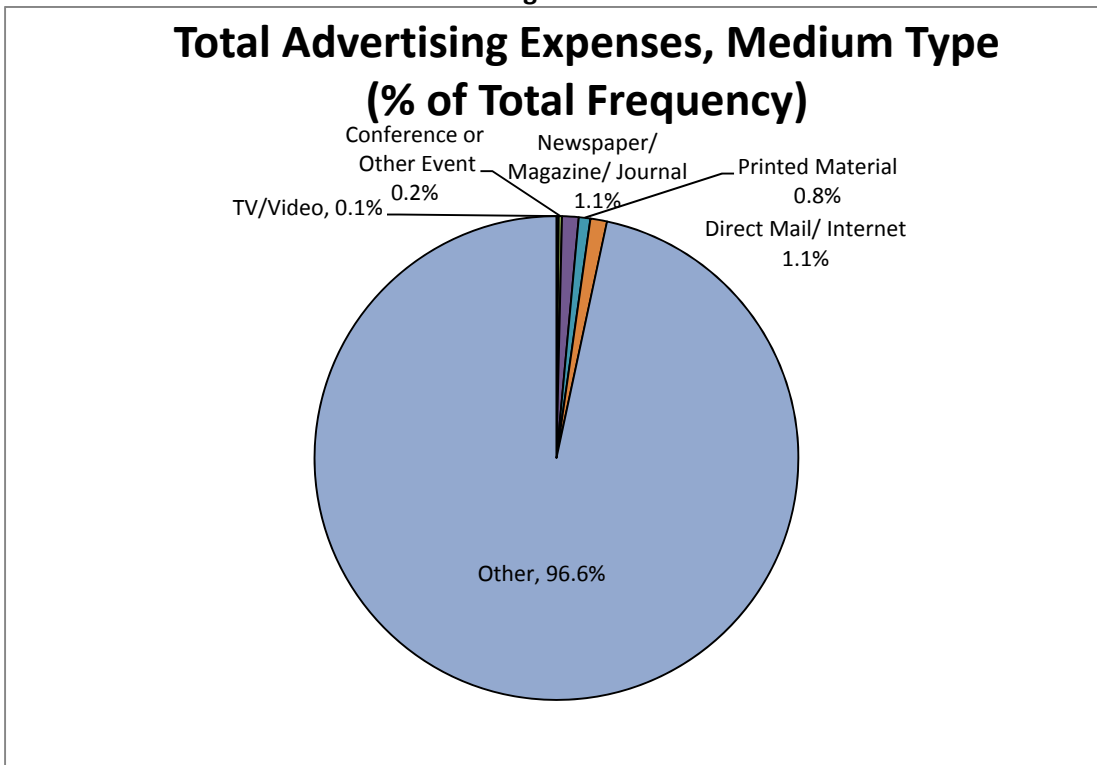
Figure 33 depicts the dollar amount breakdown for advertising *Medium Types*, and Figure 34 depicts the frequency for companies as a whole.

Figure 33



66 Total Companies with Reported Advertising Expenses

Figure 34



66 Total Companies with Reported Advertising Expenses

Note: The category "Other" includes Medium Types identified as Other by companies (1.1% of total value, 0.3% of frequency), as well as those identified as Magazine/Internet/Email, Mixed Media, Patient Materials, and Telephone.

Advertising Subgroup

An analysis was also conducted on a subgroup of three companies that reported the highest *Advertising Expenses* totals. Together, the three companies had total advertising expenses of \$3.7 million, or an average of \$1.2 million each.

This group's activities were classified into only two categories, based upon the responses provided by the companies: *Direct to Consumer Advertising* and *Other Promotional Activity*. Expenditures classified as *Direct to Consumer Advertising* accounted for the greatest share of both the total value, with \$2.8 million, or 75.8% of the value, and the greatest portion of expenditures, 79.4%. The remainder of expenditures were classified as *Other Promotional Activity* and accounted for \$886,266, or 24.2% of total value, and 20.6% of expenditures.

Figure 35 depicts the Large Advertising Expenditure subgroup's activity types based on total value, and Figure 36 depicts frequency.

Figure 35

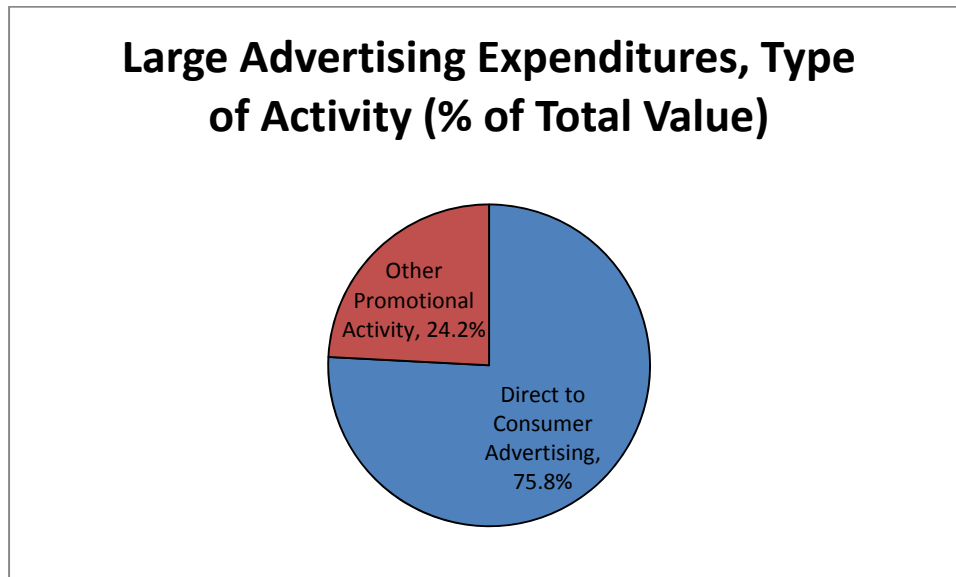
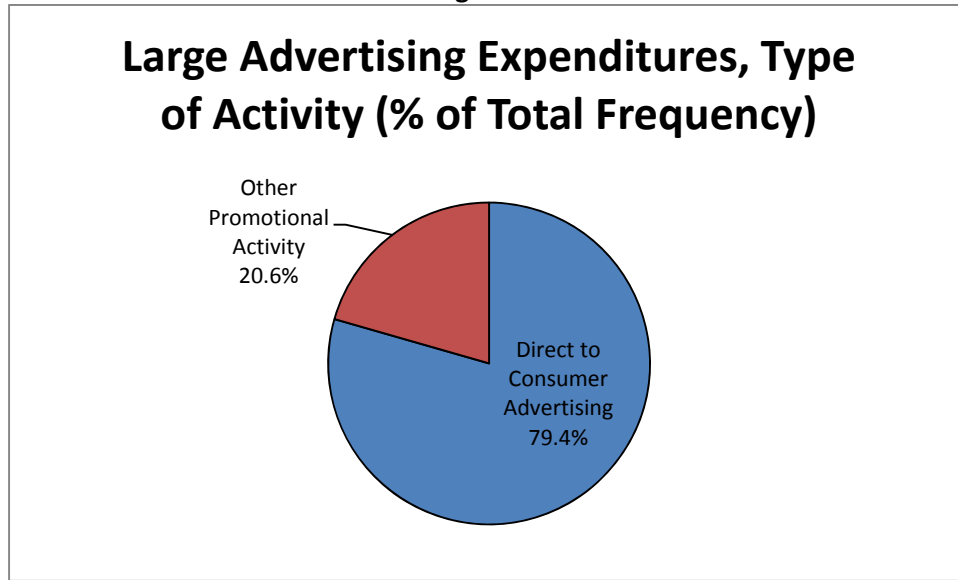


Figure 36



The Large Advertising Expenditures subgroup reported *Medium Types* that were grouped into seven categories: *TV/Video*, *Newspaper/Magazine*, *Direct Mail*, *Conference or Other Event*, *Other Printed Material*, *Patient Materials*, and *Other*. The largest amount from this group was spent on *TV/Video*, with \$1.7 million, or 47.1% of the total value. This was followed by *Newspaper/Magazine*, with \$594,072 (16.2%); *Conference or Other Event*, with \$256,250 (7.0%); *Direct Mail*, with \$40,677 (1.1%); *Other Printed Materials*, with \$39,949 (1.1%); and *Patient Materials*, with \$12,678 (0.3%). An additional \$996,962 (27.2%) in spending was classified as *Other*.

In terms of frequency, the largest proportion of this subgroup's advertising expenditures took the form of *Newspaper/Magazine* (44.8% of expenditures); this is followed by *Other Printed Materials* (27.9%), *TV/Video* (16.3%), *Direct Mail* (5.5%), *Patient Materials* (3.1%), *Other* (1.5%), and *Conference or Other Event* (0.9%).

Figure 37 shows the percent of total dollar amount for the Subgroup's *Medium Types*, and Figure 38 depicts the frequency.

Figure 37

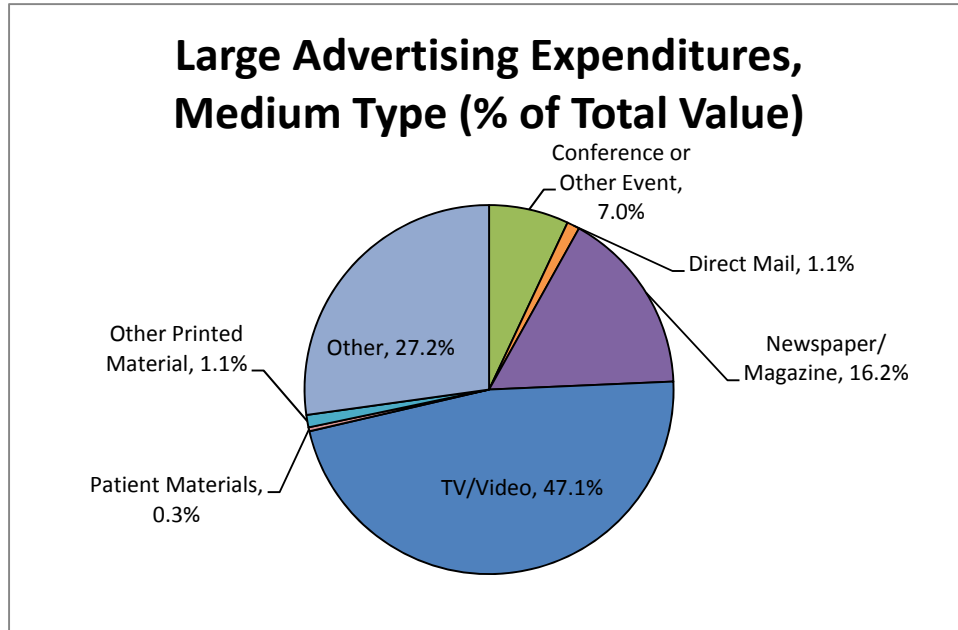
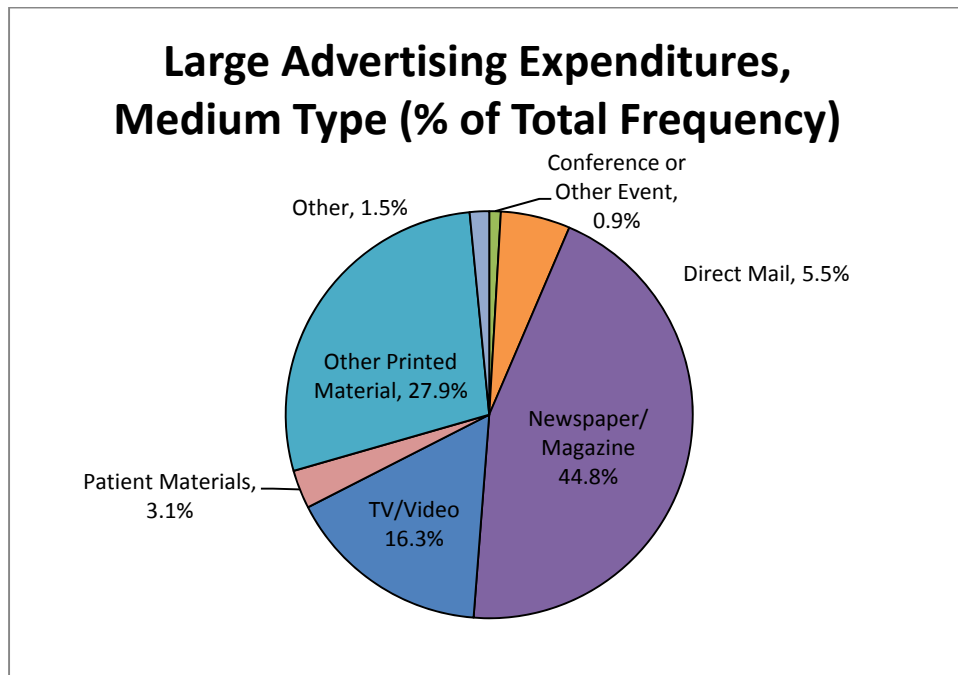


Figure 38



Note: The category “Other” includes Medium Types identified as Telephone and listed as combined categories (e.g., TV/Radio/Print).

VII. Overview of Company Submissions

Method of Submission

For the 2012 reporting period, pharmaceutical companies disclosed marketing expenses using the Excel worksheet found on the District Department of Health website.

Trade Secret Declaration

Chapter 18 of Title 22 of the DCMR, "Prescription Drug Marketing Costs," defines a trade secret as follows:

Trade secret- information, including a formula, pattern, compilation, program, device, method, technique, or process, that:

- (A) Derives actual or potential independent economic value, from not being generally known to, and not being readily ascertainable by, proper means by another who can obtain economic value from its disclosure or use; and
- (B) Is the subject of reasonable efforts to maintain its secrecy.¹

Of the 147 companies that submitted 2012 expenditure reports, a minority, 17.7%, declared their reports as trade secrets, whereas the majority, 82.3%, did not declare their reports as trade secrets. This is a small increase in trade-secret declarations from 2011 reports, in which 16.4% of companies declared their reports as trade secrets. To investigate whether there was a difference between companies with higher expenditures versus those with lower expenditures, we compared companies above the median in gift expenditures to those below the median. Companies reporting 2012 gift expenditures above the median were 3.3 times more likely to designate their reports as trade secrets than those below the median.

Trade secret explanations were similar across pharmaceutical companies. An example of one company's justification for designating their report as a trade secret mirrors many others:

The information being disclosed pertaining to marketing activity in the State, including the name of the entity/physician, the amount of the payment, and the date the activity took place, qualifies as a trade secret for the following reasons:

- 1) Information relating to strategies and costs of marketing and promotional activities are not a matter of public record and are confidential and proprietary information. This information is

¹ §1899.1 of Chapter 18 of Title 22 of the DCMR

potentially valuable to companies that compete and knowledge of this information could unfairly give such companies a competitive advantage. Accordingly, this information should not be publicly released and we request timely notification of any request for such information prior to any such release.

2) Confidential customer data that shows sales plans and patterns

3) Compilation of proprietary business information

Quality of Submissions

The quality of company submissions was evaluated based on overall completeness and compliance with disclosure requirements. Submissions were classified as follows:

- *Complete*: All required information was provided
- *Almost Complete*: Most required information was provided
- *Incomplete*: Required information was missing
- *N/A*: No marketing expenses were reported

Using these general categorizations, 87.1% of all companies provided complete submissions, a small decrease from 87.3 % in 2011. These reports included all the information specifically required in §1802 (e.g., date of payment, full names and credentials of recipient, type of recipient, nature of payment, primary purpose of payment, and value of payment).

Another 5.4% of companies provided almost-complete submissions. These reports contained most of the information required in §1802, but were missing information – recipient type details, for example – for a relatively small number of the items they reported. The number of submissions falling into this category increased slightly from 2011, when 3.2% of companies had almost-complete submissions.

Finally, 2.7% of companies provided incomplete submissions; that percentage decreased from 2011 (when it was 3.2%). Some important required information was absent from these annual reports, the most common being only providing a total of all gifts without a detailed breakdown of individual gifts.

Notably, seven companies provided complete reports despite indicating having \$0 in marketing expenditures in the District in 2012.

As in previous years, submissions did not contain sufficient information to fully determine whether companies were using Generally Accepted Accounting Principles, but we found no indications that companies were failing to use them.

VIII. Benchmarks

For several years, the annual report of District of Columbia pharmaceutical marketing expenditures included comparisons between expenditures in the District and in Vermont, which had reporting requirements similar to the District's. Amendments to Vermont's law affected marketing expenditures and made its reports less comparable to the District's, but offer a demonstration of how a gift ban can affect pharmaceutical marketing trends.

In 2009, Vermont amended its law on pharmaceutical marketing to prohibit gifts (including food) from pharmaceutical manufacturers to healthcare providers; to require reporting by manufacturers of biologics and medical devices, as well as by pharmaceutical companies; and to require reporting of clinical-trial and research expenditures. Companies may only pay honoraria and expenses to healthcare professionals for speaking when the recipient is "a health care professional who serves on the faculty at a bona fide significant educational, medical, scientific, or policy-making seminar," the healthcare professional determines the content of the presentation, and a contract specifies deliverables restricted to medical issues, not marketing activities.² The 2009 law requires companies to report on the quantity (not value) of samples of prescription drugs they distribute, and a 2011 amendment requires reporting of samples of over-the-counter drugs.³

According to the latest report from Vermont's Attorney General, manufacturers reported the following 2012 Vermont expenditures:

- Total expenditures, including those for biologics and devices: \$7.6 million
- Total pharmaceutical expenditures: \$5.4 million
- Pharmaceutical expenditures, excluding clinical trials and research: \$1.2 million³

Comparing these numbers to totals from the past two years reveals a surprising pattern: Vermont pharmaceutical marketing expenditures (excluding clinical trials and research) dropped by 29% from 2009 to 2010, as the gift ban was implemented; rose 62% from 2010 to 2011, and then dropped by 60% from 2011 to 2012. (See Table 9 for expenditure amounts.) We initially suggested that the increase in reported expenditures from 2010 to 2011 demonstrated that pharmaceutical companies adapted their gift-giving patterns to conform to the law's limitations. It is possible that companies again changed their practices and reduced gift spending in 2012 in response to enforcement activities; Vermont's 2012 report notes, "During 2012, the Attorney General conducted dozens of investigations into potential violations of both the gift ban and the disclosure law."³

² General Assembly of the State of Vermont, 2009-2010 session. S.48, No. 59: An act relating to the marketing of prescribed products. <http://www.leg.state.vt.us/docs/2010/Acts/ACT059.PDF>.

³ Prescribed Product Disclosures January 1, 2012 – December 31, 2012: Report of Vermont Attorney General William H. Sorrell. October 2013. <http://www.atg.state.vt.us/assets/files/2012%20Prescribed%20Products%20Disclosure%20Report.pdf>.

Because the District does not require reporting of clinical-trial expenses or expenditures by biologics and device manufacturers, the Vermont expenditure total for pharmaceutical expenditures excluding clinical trials (\$1.2 million) is the most relevant for comparison purposes to the \$97.5 million of expenditures in the District of Columbia. Table 9 shows the annual reported expenditures in each jurisdiction. Unlike Vermont, the District saw reported expenditures decline slightly from 2010 to 2011 and increase from 2011 to 2012.

Table 9

Pharmaceutical Marketing Expenditures, 2006 – 2012, District of Columbia & Vermont (Vermont figures are for pharmaceutical expenditures excluding clinical trials and research)		
Year	District of Columbia	Vermont
2006	\$145,495,429 (101 companies reporting)	\$2,367,604 (83 companies reporting)
2007	\$158,210,607 (113 companies reporting)	\$3,139,584 (86 companies reporting)
2008	\$136,623,408 (105 companies reporting)	\$2,943,321 (78 companies reporting)
2009	\$96,088,376 (118 companies reporting)	\$2,599,589 (85 companies reporting)
2010	\$85,353,974 (132 companies reporting)	\$1,835,102 (58 companies reporting)
2011	\$83,674,207 (158 companies reporting)	\$2,980,770 (77 companies reporting)
2012	\$97,470,410 (147 companies reporting)	\$1,201,726 (75 companies reporting)

For the years 2007 – 2010, we reported per-physician gift spending in Vermont and the District of Columbia. Our reports no longer include these figures because Vermont’s reports no longer specify the total amounts given to physicians (as opposed to all recipients as a whole) for purposes other than research and clinical trials.

IX. Recommendations

Based on this analysis of 2012 data and knowledge of related federal legislation, we make the following recommendations to allow for more useful analyses of future submissions and to conform with federal law.

1. Use the opportunity created by the Affordable Care Act to strengthen the District of Columbia's reporting requirements

Because an Affordable Care Act provision will soon require pharmaceutical companies to report their gifts to physicians and teaching hospitals to the federal government (and the federal government to pass that information to states and the District), the District will need to cease collecting this particular information through AccessRx reporting. The need to make this change presents an opportunity to update the AccessRx Act. We recommend that, in addition to eliminating requirements to report payments to physicians and teaching hospitals, the District revise reporting requirements to remove the current prohibitions on data disclosure and to collect more specific information that will assist with analysis. The District should also harmonize its reporting requirements with federal reporting rules (e.g., by requiring information to be submitted in a similar format and with similar details). Collecting information on the individual providers and specific drugs that companies target with their marketing dollars will provide data that may be useful to the District's academic detailing efforts. Policymakers, researchers, and the public can also benefit from having access to this information. We recommend that the District take the following steps:

- **Make all reports submitted pursuant to the AccessRx Act publicly available:** In the interest of informed healthcare decisionmaking, patients should have access to information about how much money their healthcare providers receive from specific companies and about which drugs are targeted by marketing efforts. A database that combines information from all individual companies' reports in a standardized format should be made available to the public in a timely fashion. Such a database is currently developed each year for use solely by the Department of Health, but the AccessRx Act requires that it remain confidential.

Massachusetts, Minnesota, and Vermont already collect similar information and make the data on individual healthcare providers publicly available.⁴ ProPublica combines information on individual healthcare providers from 15 pharmaceutical companies into a user-friendly database available to the public.⁵ The Affordable Care Act will make data on gifts to physicians and teaching hospitals available to the public in the near future. Given that such information is or soon will be publicly available, it is only fitting that the District also disclose the information that pharmaceutical manufacturers and labelers report. Because the District

⁴ See "Show us the money: lessons in transparency from state pharmaceutical marketing disclosure law" by Susan Chimonas, Natassia M. Rozario, and David J. Rothman (*Health Services Research*, February 2010) for an overview of different states' laws on pharmaceutical marketing disclosure.

⁵ ProPublica's "Dollars for Docs" database is online at <http://projects.propublica.org/docdollars/>.

collects significantly more information than the Affordable Care Act requires companies to report, the District has an opportunity to provide more data to the public than they will receive under the federal law, and to set an example of transparency to other states.

- **Require more detailed reporting of aggregate costs:** Although “aggregate expenses” (expenditures on employees and contractors engaged in promotional activities) account for by far the largest share of reported total expenditures (\$61.5 million, or 63.1% of the total), we have little information about how companies spend this money. Revising the law to require reporting of additional information – for example, salaries of employees engaged in marketing, or total FTEs devoted to marketing in the District – would allow the District to collect more information about how these large sums are being spent.
- **Require unique recipient identifiers:** Without unique recipient identifiers, analyses may fail to identify all of the gifts that went to the same individual or entity if the recipient’s name is entered differently in different instances. A requirement that manufacturers and labelers report a unique identifier for recipients, such as a National Provider Identifier, would improve speed and accuracy of matching efforts.

The National Provider Identifier (NPI) may be a good choice of unique identifier, since all providers who bill Medicare are required to have one. The Affordable Care Act will require the NPI for each physician receiving gift payments to be reported to the Department of Health and Human Services as part of the new reporting requirements. Other healthcare providers – nurses, pharmacists, clinics, nursing homes, etc. – also have NPIs, and these could be reported to the District.

- **Require “product marketed” information for gift expenses:** The District does not require that reports of gift expenses (e.g., food or honoraria for physicians) specify which product is being marketed. Requesting “product marketed” information for gift expenses would help researchers determine how much companies spend on marketing specific drugs. Vermont already requires reporting of this information, and the Affordable Care Act will require it for federal reporting in the near future. Again, requiring this information to be reported to the District would become consistent with federal law.

The importance of preserving the District’s reporting requirements, beyond physicians and teaching hospitals, is evident in the proportion of expenditures reported under AccessRx requirements that would be missed by forthcoming federal reporting. The federal law will capture approximately one-tenth of the marketing expenditures the District of Columbia captures under the AccessRx Act.

In 2012, gifts to District physicians totaled \$10.2 million. Teaching hospitals received a total of \$532,427 that same year. The total of gifts to physicians and teaching hospitals alone in 2012 was \$10.8 million, which represents only 35.3% of the total gifts and only 11.1% of the total marketing expenditures

reported in 2012 under the AccessRx Act. Thus, using only the reporting requirements of the Affordable Care Act would result in the loss of information regarding 89% of all pharmaceutical marketing expenses in the District of Columbia in 2012 required under the AccessRx Act.

2. Notify providers for whom large gift amounts are reported

Healthcare providers who are reported to be receiving large sums (e.g., over \$1,000 in total value of gifts) should be alerted to what the District's records show and notified of the appearance of potential conflicts of interest. While the data received pursuant to the AccessRx Act are not currently publicly reported, many payments are already publicly available in the ProPublica database, and physician payments from all pharmaceutical companies will be public soon under the Affordable Care Act. Notification of providers will allow them to correct errors and may also alert them to the possibility that large gifts from pharmaceutical companies could create concerns about the appearance of biased prescribing choices among their patients and others.

Appendix: AccessRx Requirements

Title III of the AccessRx Act of 2004 requires that any “manufacturer or labeler of prescription drugs dispensed in the District that employs, directs, or utilizes marketing representatives in the District” annually report marketing costs for prescription drugs in the District. §48-833.03 describes the content of the annual report:

(a) Except as provided in subsection (b) of this section, the annual report filed pursuant to § 48-853.02 shall include the following information as it pertains to marketing activities conducted within the District in a form that provides the value, nature, purpose, and recipient of the expense:

(1) All expenses associated with advertising, marketing, and direct promotion of prescription drugs through radio, television, magazines, newspapers, direct mail, and telephone communications as they pertain to District residents;

(2) With regard to all persons and entities licensed to provide health care in the District, including health care professionals and persons employed by them in the District, carriers licensed under Title 31, health plans and benefits managers, pharmacies, hospitals, nursing facilities, clinics, and other entities licensed to provide health care in the District, the following information:

(A) All expenses associated with educational or informational programs, materials, and seminars, and remuneration for promoting or participating in educational or informational sessions, regardless of whether the manufacturer or labeler provides the educational or informational sessions or materials;

(B) All expenses associated with food, entertainment, gifts valued at more than \$ 25, and anything provided to a health care professional for less than market value;

(C) All expenses associated with trips and travel; and

(D) All expenses associated with product samples, except for samples that will be distributed free of charge to patients; and

(3) The aggregate cost of all employees or contractors of the manufacturer or labeler who directly or indirectly engage in the advertising or promotional activities listed in paragraphs (1) and (2) of this subsection, including all forms of payment to those employees. The cost reported under this paragraph shall reflect only that portion of payment to employees or contractors that pertains to activities within the District or to

recipients of the advertising or promotional activities who are residents of or are employed in the District.

(b) The following marketing expenses are not subject to the requirements of this subchapter:

(1) Expenses of \$25 or less;

(2) Reasonable compensation and reimbursement for expenses in connection with a bona fide clinical trial of a new vaccine, therapy, or treatment; and

(3) Scholarships and reimbursement of expenses for attending a significant educational, scientific, or policy-making conference or seminar of a national, regional, or specialty medical or other professional association if the recipient of the scholarship is chosen by the association sponsoring the conference or seminar.

The manufacturer or labeler must file the report by July 1st of each year, in the form and manner provided by the Department of Health. §48-833.04 describes the report that the Department must then provide to the City Council:

By November 30th of each year, the Department shall provide an annual report, providing information in aggregate form, on prescription drug marketing expenses to the Council and the Corporation Counsel. By January 1, 2005, and every 2 years thereafter, the Department shall provide a report to the Council and the Corporation Counsel, 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.

§48-833.04 addresses confidentiality:

Notwithstanding any provision of law to the contrary, information submitted to the Department pursuant to this subchapter is confidential and is not a public record. Data compiled in aggregate form by the Department for the purposes of reporting required by this subchapter is a public record as long as it does not reveal trade information that is protected by District, state, or federal law.

Chapter 18 of Title 22 of the District of Columbia Municipal Regulation specifies which information must be included in annual reports in each of the three categories (advertising expenses, marketing expenses, aggregate costs).