S/A 4071: Social/Cultural Aspects of Health and Illness:
Class 31: The Medical Industrial Complex 2:

* The pharmaceutical industry is the same as any capitalist enterprise: its purpose is to make profit, not to be altruistic

* Today we explore the contradiction between profit & public good in this area

Private profit vs. the public good:

* Examples of this contradiction:

- not informing governments in one country of documented deaths in another when a drug was being reviewed for approval
- legally attempting to block release of independent assessments of drugs to protect profits

Profits in the pharmaceutical industry:

* Canadian subsidiaries of multinational drug companies have been extremely profitable : they are good investments due to high profitability, consistent growth & favorable demographics

* Companies claim not to be as profitable as they appear due to large outlays on R&D. Yet research shows this claim to be exaggerated

- other industries follow same accounting practices
- treating R&D as a current expense = indirect government subsidy
- even adjusting for R&D costs, this industry still more profitable
- claims based on cost of in-house research for new chemical entities, not others (e.g. shared development, licensed)
- the existence of tax write-offs/ research showing cost far less

The pharmaceutical industry & the state:

* Compulsory licensing & patents:

- Canadian drug prices are among the highest in the world, largely due to patent protection
- In the 1960's the government favored a compulsory licensing regime whereby drugs could be imported rather than made here
- The industry lobbied long & hard against this, but lost
- Nevertheless, by 1983 the industry had only lost 3.1% of the market to generic competition
- Lobbying continued, however, & the conservative government changed the law in the process of instituting free trade
- As a result, new drugs were given 7-10 years of patent protection from compulsory licensing
- Yet more lobbying followed. In 1993, when NAFTA was negotiated, compulsory licensing was eliminated altogether
- Even though a review was mandated, it was later quietly dropped

* The pharmaceutical industry & the Health Protection Branch:

- clientele pluralism: the state has regulatory power, but not the time nor willingness to spend money to clinically test drugs itself
- the industry is highly motivated & is willing to test the drugs if the state will relinquish some of this authority (agreements negotiated in areas of “broad agreement”)
- the authorities & the industry “work together” to test & promote drugs with reference to “codes of marketing.” Serious enforcement problems obviously ensue

* Underfunding & cost recovery:

- recently, the industry has also become the major funder of the

branch of the HPB that regulates the industry
- government downsizing resulted in agency officials turning to the industry to help keep them afloat ("cost recovery").Of course, the industry was happy to oblige

* Increasing industry influence:

- the above factors are leading to a reorientation of policy even more favorable to the industry than before (e.g. direct to consumer ads)

* R & D:

- industry has increased investment on R&D as part of the trade-off for patent protection
- yet these are only 60-cent dollars & allow a considerable tax write off
- researchers appreciate funding, but fear conflicts of interest
- of 577 new drugs patented 1991-97, only 9 felt to be major improvements on existing therapies (the rest = line extensions or minor improvements)
- these would have become available in Canada regardless of money being spent here
- does R&D reflect societal goals (e.g. not just developing new highly marketable drugs, but improving on inappropriate prescribing practices?)

Drug Prices:

* Generic drugs often cost far less than the brand-name equivalent

* They may save the health care system a great deal of money

* The Patent Medicine Prices Review Board has limited the *introductory* price of new drugs to below the rate of inflation (but, of course, high average original prices get built into this)

* Dedicated patents originally got around this regulatory agency, & prices for such drugs tended to be far higher before the law was changed

* The PMPRB compares prices in select countries when setting introductory prices for new products: typically countries with high prices

* High introductory prices = one reason the cost of a prescription in Canada has risen dramatically since 1987. Doctors & pharmacists have been substituting new, more expensive drugs for older, less costly ones

* Yet, the therapeutic gain for these new drugs is often marginal at best

The pharmaceutical industry & the medical profession:

* Doctors, their associations & journals are often the prime targets of drug company marketing: prescriptions = sales = profit

* Drug companies encourage doctors to look first to drug therapy for medical problems/ encourage “ally” mindset in face of legislation contrary to “their” interests

* The industry literally wines & dines doctors, underwriting all kinds of special functions in an attempt to sell their products

* One factor that curries favor with doctors is industry promotion of continuing medical education (e.g. meetings, conferences & courses).

* Much more is spent on promoting drugs to doctors than drug research itself. This takes many forms (e.g. journal ads, direct mailings). But the

most effective method is having “detailers” (sales reps) visit doctors’ offices to promote the company’s products.

* Studies of the information presented by detailers (e.g. videotaped) show that many side effects are not mentioned, & inaccurate information is often provided (visits average once every 2 weeks)

* McMaster was so concerned about this it banned such meetings during working hours at the hospital

* Even though doctors show some skepticism, the fact is that research consistently shows a relationship between promotion & prescription

Conclusion:

* Profit is what drives the drug industry, & this will override consideration of the public interest

* This is a highly profitable industry for the reasons stated, & legislation/regulatory practices have been altered to make it more so

* All of this is driving the cost of health care higher with relatively little improvement in health