Tackling the Corruption of Pharmaceutical Markets: Addressing the Misalignment Between Financial Incentives and Public Health

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Combating Corruption in Health Care and Pharmaceuticals

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Outline

1-Rethinking the political economy of Big Pharma
2-Institutional Corruption and Ghostmanagement
3-Corporate capitalism and pharmaceuticals:
   – Scientific capture
   – Professional capture
   – Technological capture
   – Regulatory capture
   – Market Capture
   – Media capture
   – Civil society capture

4-What is to be done?
Part 1:

Rethinking the Political Economy of Big Pharma
Some indicators

• In 2015, the global market for pharmaceuticals was US$ 1 trillion.

• Prescription drugs in Canada and US represent around 2% of GDP.
**Big Pharma, July 2015**

18 companies, 66% of global market shares

Source: FT500, Fortune

<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>Global Rank in terms of capitalized value</th>
<th>Market Value (in billions $US)</th>
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"It is always sound business to take any obtainable net gain, at any cost and at any risk to the rest of the community."

Thorstein Veblen

“All business sagacity reduces itself in the last analysis to judicious use of sabotage.”
Capital as capitalized institutional power (Veblen 1908; Bichler and Nitzan 2009)

• Capitalist Control is mostly structural, it rests on social structures, institutions and habits of thought. (Big Pharma’s earning capacity rests on your belief that swallowing a pill will make you healthier, also rests on the institutional capacity to rarefy production through patents).

• Structural Competition: Competition by transforming and shaping institutional structures in a way that best serves dominant interests. (economic policies, regulations, rules of trade, externalizing costs, monopolistic power, patent protection, labour conditions, disease mongering, etc.).
Markets as systems of constructed rules
Part 2:
Ghostmanagement and Institutional Corruption

"You are completely free to carry out whatever research you want, so long as you come to these conclusions."
“In the ghost management of medical research by pharmaceutical companies, we have a novel model of science. This is corporate science, done by many hidden workers, performed for marketing purposes, and drawing its authority from traditional academic science. The high commercial stakes mean that all of the parties connected with this new science can find reasons or be induced to participate, support, and steadily normalize it.”

Ghostwriting:
Having doctors sign studies produced by agencies for publication in medical journals

- Trials are produced by Contract Research Organizations (CRO), and studies are written by medical writing agencies (MWA) whose specialty is public relations. They have expertise in taking the data and “spinning” the results to make them look more positive for the drug companies.

- CRO and MWA develop their market share not by producing good science, but by producing good marketing arguments.
Ghostmanagement:
Organizing Medical Research as a promotional campaign

1-Multiplication of positive studies:

• For Zoloft: 85 papers produced by Pfizer out of a total of 211 papers published in medical journals about “sertraline” (40%) (Sismondo 2007).
• For Premarin (hormone replacement therapy): Wyeth produced at least 50 peer-review publications. (Fugh-Berman 2010)
• For Paxil, GlaxoSmithKline organized a ghostwriting campaign called: Case-Study Publications for Peer-Review (CASPPER – the friendly ghostwriting program).
• For Vioxx, 96 papers produced by Merck’s MWA were published (Key ones omitted mentioning the death of some patients during clinical trials). Merck also produced fake peer-review medical journals like Australasian Journal of Joint and Bone Medicine.
Ghostmanagement:

2-Non-disclosure of negative studies:

**SSRI Antidepressants:** 74 clinical trials for the new generation (38 had positive results, 36 negative); 36 positive ones were published and 8 negative (including 5 as if the results were positive). (Turner 2008)

Meta-Analysis of all data submitted to FDA (most not published), showed that SSRIs were no better than placebos, except for a small difference in the case of major depression. But no adverse effects with placebos (Kirsch et al. 2008; Fournier et al. 2010)

**Reboxetine for major depression:** Data about 74% of patients in clinical trials were not published. When taken into account, drug no better than placebo. (Eyding et al. 2010)
Ghostmanagement:

3-What about those who produce unfavourable results?

-Vioxx: Merck drew up a hit list of “rogue” researchers that needed to be “discredited” or “neutralized”:

“Seek them out and destroy them where they live” reads one internal e-mail.
8 Stanford researchers said they received threats from Merck after publishing unfavourable results.

-Avandia (diabetes): When confronted with negative results in clinical trials, “GSK executives intimidated independent physicians [and] focused on strategies to minimize findings that Avandia may increase cardiovascular risk.” (U.S. Senate Committee of Finance, 2010)
Capitalizing Medical Bias
Producing the “right” medical discourse has become more profitable than producing effective drugs.

- Companies do not have a choice: those refusing to “play the game” in the name of ethics would lose market share.
- Earning-capacity is not based on producing products, but on producing medical discourses and habits of thought.
- Pharmaceutical products are not brought to the market because they have a value according to needs or social demand. Big Pharma does not produce medicines, it produces the social determinants of value.
Part 3:
Corporate capitalism in action
PR company Edelman’s communication plan:
- Pay bloggers to disseminate positive messages.
- Recruit 35,000 activists to create the illusion of a mass movement.
- Deflect attention and resources of opposing groups by creating spurious issues.
- Build partnership with local universities to emphasize benefits and absence of risks for Energy East.
<table>
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<tr>
<th>RANK</th>
<th>2015 SALES (US$ Mn)</th>
<th>2015 GROWTH (LC$ %)</th>
<th>2014 SALES (US$ Mn)</th>
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Source: IMS Health MIDAS®, December 2015
1. Scientific Capture
   Control the scientific narrative about products:
   - Ghostwriting to present scientific results in favor of corporate interests
   - Non-disclosure of unfavorable results
   - Intimidation of independent researchers

2. Professional Capture
   Influencing healthcare professionals is crucial for commercial success:
   - Firms spend on average $61,000 per year per physician to promote their pharmaceutical products in the United States.
   - Firms spend $15,000 per year per physician in direct payments.

3. Technological Capture
   Building barriers to entry for smaller firms through appropriation of technology:
   - Strategic patenting and the multiplication of patents where the dominant patent holders can restrain innovation
   - Establishing technological standards

4. Regulatory Capture
   Influencing laws and regulations:
   - Pharma industry is ranked the top lobbying industry in the US with declared spending of $228 million per year (excluding Super-PACs)
   - Omnipresence of revolving doors and conflicts of interests

5. Market Capture
   Capacity to restrain market competition:
   - 82 collaboration agreements exist among the 16 dominant pharma firms.
   - Mergers and acquisitions drove capital accumulation in 2014 in the pharmaceutical sector while unsettling innovation capacity

6. Media Capture
   Connecting with public and elite opinion:
   - $4 bn spent on direct to consumer advertising in 2011
   - Massive use of PR and think tanks, transforming journalism into lobbying

7. Civil Society Capture
   Instrumentalizing civil society through front groups:
   - Systematic recourse to think tanks and patient groups
   - Grassroots organizations captured through corporate funding
   - Estimated that in 2013 Pharma companies spent almost half a billion on funding patient groups in the United States

References
Summing up

• Drug companies R&D in US in 2013: $50 billion
• Promotional campaigns towards healthcare professionals: $54 billion every year
• Direct Payment to Physicians: $8.4 billion
• Direct-to-consumer advertising: $4 billion
• Lobbying policymakers: $228 millions
• Funding Charities and Patient Group: $500 millions
• Additional resources are also being spent in different ways to capture the media, technology, or markets.
• The pharmaceutical sector spends much more in producing the social determinants for the value of their products than producing products.
Normalization of Institutional Corruption; It takes two to tango.

- Medical Journals favour ghostwritten papers because provide higher impact factors.
- Physicians expect to have their lunch paid by commercial sponsors
- Conflicts of Interests considered normal
- Policymakers demand political funding from corporations
- Journalists demand pre-digested press releases
- Community organizations offers to defend corporate interests to obtain funding.
- Etc.
4-What can we do against Predatory Ghostmanagement?
Pragmatic solutions to realign financial incentives with desired outcomes

1- Increasing fines for misconduct
2- Taxing pharmaceutical promotion to physicians
3- Pricing based on Therapeutic Value
1-Financial Penalties
(Atypical Antipsychotics)

-2007: BMS, 515 M in fine for kickbacks, fraud and illegal promotion (Abilify)
-2009: Eli Lilly, $1.4 bn on charges of off-label promotion (Zyprexa).
-2009: Pfizer, $301 M on charges of off-label promotion for (Geodon).
-2010: Astra-Zeneca, $520 M for ghostwriting and off-label promotion (Seroquel).
-2012: J&J, $1.1 bn for off-label marketing and non-disclosure of ADRs (Risperdal).

Abilify + Zyprexa + Geodon + Seroquel + Risperdal = 75% of the $18.2 billion market for antipsychotics in 2011.
2-Taxing Promotion
Agenzia Italiana del Farmaco

-Italian equivalent of Health Canada.

-Interesting experience from 2005-2008: 5% tax on all pharmaceutical promotional expenditures. Money would be used to fund independent clinical trials.

-AIFA collected 40 M Euros/year and funded studies and trials for orphan drugs, for trials to determine reference treatments, and studies to promote the rational use of medicines.
3-Re-thinking the price of medicines

- Current system offers an incentive for drug companies to sell the maximum amount of drugs, whatever the therapeutic value of the products.
- Value-Based Pricing: Pay not for drugs, but for the improved health outcomes.
- Reference-Based Pricing also of interest.
- Requires significant HTA.
- QALYs have important limitations.
More Radical solutions
(Less politically realistic)

• Ban on Pharmaceutical marketing.
• Publicly funded and conducted clinical trials.
• De-link prices and R&D costs (overhaul of patent system).
Conclusion

• A core feature of corporate capitalism is the ghostmanagement of the social determinants of value.

• Institutional corruption is endemic, and is the product of the way pharma markets are constructed.

• Importance of mapping corporate power and strategies.

• While radical solutions needed, pragmatic solutions can also go a long way.
Thank You

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