



**THE EMERGING IMPACT OF DIRECT-TO-CONSUMER  
PRESCRIPTION DRUG ADVERTISING**

TESTIMONY OF

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COMMITTEE ON COMMERCE, SCIENCE AND TRANSPORTATION

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Good afternoon, Mr. Chairman and members of the subcommittee. Thank you for the opportunity to testify today on this important issue.

I am Nancy Chockley, president of the National Institute for Health Care Management Foundation. The NIHCM Foundation is a non-partisan, non-profit group. We conduct research on health care policy issues and manage health projects with funding from health plans, the government and private foundations. One of our research priorities has been and continues to be analysis of the pharmaceutical marketplace. Two of our recent studies are included in the supporting materials, and the others are available on our web site.

I will focus my remarks today on four key points:

1. Direct-to-consumer advertising appears to be inducing significant new demand for prescription drugs, and thus contributing to the recent sharp rise in pharmaceutical spending. Specifically, our data show that the drugs driving the growth in utilization and sales are also the drugs that are being most heavily advertised to the public. Simply put: DTC advertising works.

In an analysis we will be releasing soon, we have found that the 50 drugs most heavily advertised to consumers in 2000 had an aggregate sales increase last year of 32%, compared to 14% for all other drugs (which number about 9,850).

As the chart behind me illustrates, most of the increase in sales for the 50 most heavily advertised drugs came from a sharp increase in the number of prescriptions filled for them. Combined, the number of prescriptions for these 50 drugs was up almost 25% from 1999 to 2000. In contrast, the number of prescriptions for all other prescription drugs increased less than 2%. I would like to note these numbers are preliminary.

To give you an example, we found that growth in the sales of the new arthritis drug Vioxx contributed more than any other single drug to the 19% increase in retail prescription drug spending in 2000. Sales of Vioxx shot up from \$330 million in 1999 to \$1.5 billion in 2000. Perhaps not surprisingly, Vioxx was the most heavily advertised prescription drug in the nation in 2000. Its maker, Merck, spent \$160.8 million promoting the drug to consumers.

2. The success of DTC advertising, combined with computer technology which is opening up new ways to reach consumers directly, lead us to predict that drug companies will continue to expand their efforts to market their products directly to consumers. This expansion will follow the trend seen over the last three years: from 1998 to 2000, spending on direct-to-consumer advertising has almost doubled. In 2000, the pharmaceutical industry spent \$2.5 billion on DTC ads. It is important to note this accounts for only a portion of the \$15.7 billion total expenditure on promotional spending for prescription drugs.
3. We don't know how DTC ads are affecting the physician-patient relationship

or how they are changing health outcomes for patients. We need more studies to better understand the role marketing is playing. The Department of Health and Human Services held an important conference on this issue in May, and the FDA is also currently studying this question. We strongly encourage more federal funding of research that helps explain the impact of marketing on health and health care.

5. While some contend that DTC ads are a valuable source of information for consumers, we must recognize that the information in such ads is not packaged for the benefit of the public's health. It is meant to sell prescription drugs. In this unique consumer market, DTC ads prompt consumer behavior without providing substantive and complete information about the advertised product, treatment alternatives, or the disease.

For consumer decisions to be truly informed, consumers must be provided with better, more balanced information on their prescription drugs. We should facilitate this by: one, raising the standards for the content of DTC ads; and two, organizing collaboration among key stakeholders in the health care industry and the government to develop objective sources of information that compare treatment options. Currently, consumers and physicians rely on the pharmaceutical companies as their primary source of information on pharmaceutical products. With prescription drug expenditures increasing by almost 19% a year and Congress looking at adding a prescription drug benefit for Medicare beneficiaries, the timing is right to address the scarcity of

unbiased pharmaceutical information that exists. It is essential for physicians and consumers to have access to a source of information which may help them to discern and compare the benefits and costs of pharmaceutical products. The government could play a key role in facilitating such a vital information source.

Elaborating on the preceding points:

In September 2000, we released our first research brief on DTC prescription drug ads. In May 2001, we released a study on pharmaceutical spending in the retail marketplace in the year 2000. Although we will not be releasing our next study of DTC ads until September, we have included in this testimony data on ad spending in 2000 which will be published in that study.

Pharmaceutical companies spent \$2.5 billion on all forms of DTC prescription drug ads in 2000; 85% of that total was spent on the 50 most heavily promoted drugs.

Like the Vioxx example given earlier, we found that growth in the sales of the heavily-promoted antiulcer drug Prilosec was responsible for a substantial portion of the rise in overall pharmaceutical spending in 2000. Retail sales of the drug rose from \$3.6 billion in 1999 to \$4.1 billion in 2000. It's now the best selling drug in the country. Prilosec's maker, AstraZeneca, spent \$107.7 million promoting the drug to consumers in 2000. It was the second most heavily promoted drug.

It is important to note that DTC ads are only one factor among many factors that drive the sales growth of a product. While it is feasible that DTC ads are playing a comparatively small role relative to these other factors, our data and recent surveys indicate otherwise.

Recent studies by the FDA and *Prevention* magazine have found, for example, that consumers are quite receptive to the ads. They are not only aware of them; they appear to be acting on them. In a recent survey by *Prevention* magazine, conducted in June 2000, 32% of respondents who had seen or heard a drug ad - and 90% had - talked to their doctor about an advertised medicine or the disease it targets. Of this group, one in four asked their doctors for a specific medicine they had seen advertised. And 70% of those who made such a request walked out of the office with a prescription for that specific drug.

Let me translate those percentages into numbers of people. If 150 million adults saw the ads, 48 million will have talked to their doctor as a result, 12 million will have asked for a specific drug, and 8.4 million will have gotten it that same day.

This brings me to another central point I want to make today: we don't yet know whether DTC advertising is, on balance, beneficial or detrimental.

Are the ads leading to the inappropriate use of some drugs? Are they compromising the safe use of some drugs, leading consumers to believe the drugs are safer or more efficacious than they may actually be? Are they

inducing demand for drugs that would not otherwise be first-line treatments?

I am sure we will all agree today that we will soon need to know the answers to these questions. Opinions about the effects of DTC ads will not suffice in the long run. We strongly support research that probes these issues.

Research is needed to better understand the positive role that DTC ads could be playing. If studies find that DTC ads are inducing millions of Americans to go to the doctor for needed visits and that they are then getting appropriate care they would not otherwise get, then DTC advertising may be a powerful new tool to help create a healthier population. If, on the other hand, studies find that prescription drug mass media ads are inducing millions of inappropriate prescriptions, then we may have to conclude we have a problem.

Until studies can determine the impact of DTC advertising, we will have to weigh carefully what we already know about the benefits against the social and health costs of DTC ads.

Furthermore, we must recognize that DTC drug ads are not primarily designed - and probably never could be - as public health tools. They are designed to successfully market specific products. Quite simply, consumers need other sources of information on prescription drugs to make truly informed choices. We would recommend that the Department of Health and Human Services initiate a process to examine how that might come about. All health care stakeholders should be involved.

My final point today is one that often gets overlooked in this debate. Spending on DTC ads is growing at a time when pharmaceutical companies appear to be increasingly reliant upon the earnings of their blockbuster drugs. The power of DTC ads could be an incentive for drug companies to invest resources in extending the exclusivity of their blockbuster drugs, instead of investing in the development of innovative new products. To the extent that DTC ads give companies further inducement to protect their aging blockbusters, DTC ads may ill serve public health.

The health of the population is best served by an industry that is putting the maximum amount of money into developing truly innovative new drugs for the most serious life-threatening and debilitating diseases. The public's health will not be advanced as much if drug companies focus disproportionately on inducing potentially inappropriate consumer demand for repackaged or slightly improved drugs to treat a range of non-threatening conditions.

Prescription drugs help millions of Americans live normal, productive lives, yet they are unique consumer products. They have the potential for serious harm as well as great benefit. They are part of a complex system of medical care that must be ruled first and foremost by science and careful human judgement. Congress has long recognized the complexity and uniqueness of the pharmaceutical marketplace in their regulation of this industry. The growth of DTC advertising poses new questions about how consumers perceive prescription drugs and use them. DTC ads - just as the products

they promote - appear to have the potential for benefit but also for harm.

Thank you.