

## The Evolving Pharmaceutical Industry

For decades, the pharmaceutical industry was lauded for its role in improving the health of the world's population. However, the industry has faced significant challenges in recent years. Its pipeline of new products has weakened, and costs for research and development, sales, and marketing have increased. Other issues—such as increased scrutiny of pharmaceutical practices, concern over the high cost of pharmaceuticals, and litigation related to several high-profile drug safety recalls—have served to tarnish the industry's reputation. This combination of factors has forced the industry to reassess how it conducts business. This article will explore a few of the ways pharmaceutical companies are attempting to operate more efficiently and work to repair their image and regain public trust.

There has been considerable progress on the front to increase transparency regarding business practices. In March 2008, AstraZeneca announced that it would begin posting online a list of all contributions to state and federal political candidates, complete with recipients' names and the total amount contributed.<sup>1</sup> Two months later, Eli Lilly issued a statement in support of the Physicians Payments Sunshine Act, legislation sponsored by Senators Charles Grassley (R-Iowa) and Herbert Kohl (D-Wisconsin) to create a national registry of all payments over \$500 made to physicians by pharmaceutical companies, medical device, and medical supply companies. Lilly announced it would begin voluntarily reporting this information online in 2009.<sup>2</sup> Merck, in September 2008, pledged to disclose physician payments for speaking engagements beginning in 2009.<sup>3</sup>

Pfizer also made significant strides to reduce potential conflicts of interest. In July 2008 it announced that the company would no longer directly support Continuing Medical Education (CME) courses offered by for-profit medical education and communication companies.<sup>4</sup> This action attempts to ensure that CME courses remain focused on improving clinical care and patient outcomes, and are not mistaken for promotional programs.

Given the current difficult economic environment, many firms are turning to mergers and layoffs to improve efficiency and lower operating costs. High-profile mergers, such as the Eli Lilly and ImClone merger completed in November 2008,<sup>5</sup> can serve to expand a company's pipeline of future medications and help to re-focus their efforts on innovative therapies instead of relying on "me-too" and patent-extending reformulations of existing medications. Wyeth, Merck and several other companies have, in recent months, announced workforce reductions of greater than ten percent.<sup>6</sup> This reduction in the workforce poses many questions for the future, and it is too early to tell if it will also impact the progress of research and development.

A recent survey of industry stakeholders found that an astounding 94% of respondents believe that pharmaceutical companies spend too much on advertising.<sup>7</sup> Reversing this belief is imperative to improving the current public perception of the industry. The industry is attempting to shed this image by regulating itself through guidelines set forth by the Pharmaceutical Research and Manufacturers

of America (PhRMA). The most recent voluntary guidelines on direct-to-consumer (DTC) advertising, issued in December 2008, call for an end to off-label promotion in DTC advertising, and ask manufacturers to define risks as clearly as they define benefits in commercials and print ads.<sup>8</sup> While these guidelines do nothing to address the sheer volume of advertising aimed at consumers, and are merely voluntary, they do address some key concerns that have been voiced by critics.

The changes occurring in the pharmaceutical industry certainly show an attempt to repair an image that has been tarnished in recent years by safety recalls, criminal fines, and compliance failures. The industry will need to continue to transform itself and focus on its core mission; to develop novel, innovative products that improve the lives of patients around the world ■

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