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PHRMA CODE SUCCEEDING…SO FAR

By **Jim Lenskold**

The PhRMA Code on Interactions with Healthcare Professionals (see "PhRMA Code Helps Re-define Roles of Medical Affairs and Marketing," Pharma Marketing News, Vol 2, No. 4, April, 2003; http://www.pharma-mkting.com/news/pmn24-article01.html), which became effective July 1, 2002, brought about industry self regulation to address the lavish pharmaceutical company spending on physicians. Prior to that time, the newsmedia were constantly finding new stories on the creative schemes designed to provide sales reps with physician access.

Scott Willoughby, Senior Manager of Ernst & Young and former Assistant General Counsel to the Pharmaceutical Research and Manufacturers of American (PhRMA), provided a perspective on compliance with the code and how this is impacting sales effectiveness at eyeforpharma's **Pharmaceutical Sales Effectiveness 2003** conference held in Philadelphia, PA on October 30-31, 2003.

Insights from Ernst & Young research indicate that compliance with the code is acceptable at this point in time and that both sales reps and physicians have adapted to the guidelines.

The Office of Inspector General's (OIG's) Compliance Program Guidance for the Pharmaceutical Industry states that compliance with the PhRMA Code "will substantially reduce the risk of fraud and abuse and help demonstrate a good faith effort to comply with the applicable federal health care program requirements."

Purpose of the Code

The purpose of the PhRMA code is twofold. The first objective is to keep the focus of the sales rep contact on delivering prescription product information to physicians. Secondly, the code is intended to prohibit entertainment, elaborate meals, and gifts to healthcare professionals—behaviors which might be construed as having inappropriate influence on the care of patients.

Ernst & Young conducted qualitative research with pharmaceutical companies and physicians to assess the impact of the code. The companies interviewed indicate their reps are very aware of the code and, as Willoughby explains, "each perceives their company to have the most conservative practices in the industry."

A Matter of Interpretation?

Willoughby indicated that some deviation from the code is starting to emerge, especially around the use of gifts. He cautioned that "many years ago the industry did have a code in place prohibiting gifts. It was followed for a few years, then little-by-little the interpretation was stretched, adherence began to fade and eventually the code was completely ignored." Now in this code's second year, the reps are already beginning to stretch their interpretation.

From the sales reps' perspective, they work hard to get physician access. The code does restrict many sales practices that work-ed in the past, but fortunately establish-es a level playing

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field. In fact, reps from smaller firms feel they gained an advantage with the elimination of previous sales practices that favored big-budget firms who could more easily afford to impress physicians with gifts.

Reps Need to Provide More Value

There is no question that sales reps face greater challenges in their attempts to gain access to physicians. Physicians are less interested in off-hour meetings to which they cannot bring their spouses. Except where existing relationships exist or where sales reps truly have new scientific information to present, physicians are less interested in meeting sales reps without some personal benefit. Buying lunch for the staff has become more popular, serving as a perk that doctors can provide to their staffs. Reps are even willing to invite office staff to off-hour events without the physicians present, just to get some form of access beyond the brief “sample-drop” physician visits.

Physicians point out that they do not have the time in their day for sales reps. Most physicians participating in the Ernst & Young research indicate having more than 10 sales visits per day, some reaching 20 or more. Profitability is on the minds of physicians too and, as Willoughby points out, “at 3 minutes per visit, doctors are giving up a patient visit for every five reps that come by and that has a cost to their business.”

Physicians are willing to make time to meet with reps for new product information or new studies on existing products. Unfortunately, too many companies are recycling the same old information and offering physicians less value by crowding the field with so many reps. Physicians are likely to meet with reps they know and like. They are also willing to meet with reps from companies where another relationship exist, such as serving as a speaker or advisory board member for that company.

Monitor Your Reps’ Expense Reports

Willoughby recommends monitoring expense reports closely to enforce compliance with the code. Reps may try to hide their behaviors but in most cases, non-compliant behaviors will show up somewhere in the expense reports. He also indicates that in the auditing process, close attention should be paid to speaking, CME, and preceptorship events where questionable practices are also sometimes identified.

According to Willoughby, the PhRMA code most likely did not have a direct impact on sales effectiveness given that it applies equally to all companies. To date, the code has been effective at achieving its initial objective. In major newspapers where press stories questioning the industry’s sales practices reached the level of two to three times per week, there may have been just two or three stories in total since the code was implemented. Time will tell if the PhRMA code truly has lasting power.

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