

The Insiders

BY PATRICIA BARRY PHOTOGRAPHS BY NATHANIEL WELCH



he powerful pharmaceutical industry has recently been hammered by new books denouncing its strategies in keeping U.S. prescription drug prices high and challenging its arguments against proposals to lower them. But now those criticisms are being reinforced by unlikely sources—insiders who know how drug companies work and are willing to speak out publicly against some of their practices. Three such insiders—a top marketing ex-

ecutive in the world's largest drug company, a salesman who promotes products to doctors and an ex-lobbyist who left the business in disgust—recently talked to the *AARP Bulletin* about their experiences.

Speaking more in sorrow than in anger, all three paint a picture of a once-admired industry that has lost its ethical way, more concerned to protect its bottom line than patients' health.

Their comments come at a time when the industry is taking a nosedive in public opinion. Two in three Americans now believe that drug prices are "unreasonably high," and 60 percent favor federal price controls as a solution, according to the latest Harris polls. Only 44 percent think drug companies serve consumers well, down from 79 percent seven years ago, the sharpest drop in esteem of any industry. Big Tobacco, the most reviled group, now rates only 14 points lower than what is increasingly called Big Pharma.

THE EXECUTIVE

"The drug industry saves lives, and tobacco does quite the opposite, yet they

are being compared in public perceptions," says Peter Rost, M.D. "That is an absolutely terrible testament to the people who have led this industry over the past few years. It is so sad."

If a politician or an academic had said these words, they wouldn't be remarkable. But Rost is vice president of marketing for the endocrinology division of the giant drugmaker Pfizer. He is the first senior executive to break rank with Big Pharma's party line. And his public comments—mainly that drugmakers are untruthful when they insist that importing drugs from abroad is unsafe or that lowering U.S. prices would hurt research—have stunned the industry.

Rost, a Swede who immigrated to the United States in 1987 and later became an American citizen, has built a successful career on the business side of medicine for over 20 years.

Entrepreneurial to the core, he's no stranger to whistle-blowing, either. A few years ago, he reported widespread tax-dodging frauds among senior managers at the company he then worked for as a top executive.

Rost's current high-wire act began in August when he read Marcia Angell's scathing book *The Truth About the Drug Companies* and posted a favorable review of it on amazon.com. "I guess I'm not supposed to like this book," he wrote. "But the truth is I thought it was fantastic." His short but damning critique ended on a challenging note. Drug companies "have antagonized grannies all over the U.S. with their work to stop reimportation of cheaper drugs," he wrote, "and anyone in marketing or public relations can tell you that no money in the world can help you win against millions of mad grandmothers."

When the media tracked Rost down, he had to make a critical decision about speaking out more publicly. With a wife and two young sons to support, "I didn't want to lose my job," he recalls, "but I also felt an obligation to do what is morally right."

He points out that more than 700,000 Americans die each year from heart disease and refers to studies showing that 50 percent of people on cholesterol-lowering drugs don't use

them as prescribed, and the more they have to pay, the more they stop taking them. "So it is obvious to me that probably tens of thousands of Americans are dying today because they can't afford drugs. And once you recognize that is the case, if you don't speak up, you're really part of the problem."

In criticizing high drug prices, Rost makes it clear he will not talk for or about his company, Pfizer, but is merely exercising his First Amendment rights to speak as a private citizen about the industry as a whole.

Pfizer isn't mollified. When Rost spoke at a press conference on Capitol Hill in September, joining members of Congress who want to give Americans the right to buy lower-cost drugs from abroad, the company sent each lawmaker a four-page letter. "Dr. Rost has no qualifications to speak on importation," it said. "[W]e believe he is doing a disservice to the American public ... by issuing a series of personal opinions and asides that bear no resemblance to the facts regarding the risks of drug importation."

But Rost says he has more knowi-

edge of importation than most. As head of Scandinavian operations for another American drug company, Wyeth, from 1999 to 2001, he had first-hand experience of parallel trade—the legal European practice of importing and exporting lower-cost drugs across 18 national borders.

“I know that parallel trade is safe,” he says. “No safety problems have ever been reported. It has to meet all the manufacturer’s standards, and it does.” He believes such a system would be safer here than the status quo because the traders “sell approved drugs directly to pharmacists, so people don’t go on the Internet.”

Rost insists he’s a business-man who loves profits and has made “literally billions of dollars” for his employers over the years. But when asked about the drug industry’s consistent argument that reduced American prices and government price controls would decimate profits and destroy vital research, he responds: “It’s just not true.”

Drug companies “are not suicidal,” he explains. “Research is the last expense they’d cut, not the first as they claim.” If price controls came in, he adds, at first “there’d be a one-time fall in profits, but then they’d start climbing again, and life would go on.”

According to Jeff Trewhitt, an industry spokesman: “Well over half the world’s new medicines are researched and developed by U.S. companies ... and not by those in countries with price controls.” [See page 12.]

But half the world’s innovative drugs are invented in countries that have “what is called price control,” Rost says. “But that term implies you’re forced to sell a drug at a certain price. It’s not true. You negotiate with governments.” He cites his own experience: “I once had a really good drug and personally negotiated with the pricing authorities in Sweden. I got a price approved that was 100 percent higher than in the U.S. market!”

How about dropping prices voluntarily? Rost recalls the time when one of his Wyeth products had a 5 percent share of the Swedish market compared to AstraZeneca’s 95 percent for its blockbuster heartburn medicine Prilosec. He

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was also losing sales to cheaper drugs from southern Europe coming in via parallel trade. So, doing the unthinkable in industry terms, he dropped his drug's price by 30 to 40 percent. "The result was amazing," he says. "In 18 months, my market share went from 5 to 30 percent in value and probably to 45 percent in volume, and the competition from parallel trade vanished."

Rost's point is that creative and fair competition—and, yes, cutting prices—can benefit companies as well as reduce patients' costs. "But we don't

have competition in the United States," he says. "Instead we have an oligopoly, where companies pretty much set the price."

His wider point, he says, is that Pharma's relentless campaign of misinformation—"the hollow arguments that are put forward to protect profits short term"—will in the end backfire. "This is basically a good industry, but I think they've gone terribly wrong."

Rost returned to his office in New Jersey amid widespread speculation on how long it would take Pfizer to fire

THE BULLETIN ASKED the Pharmaceutical Research and Manufacturers of America, a trade association representing about 70 drug companies, to respond to points made by Rost, Kuebel and Furst. Spokesman Jeff Trewhitt began by saying: "You cite three employees critical of the industry, and I would note that that's [only] three out of 406,000 working for the companies." In response to specific points, he said:

Importation: Until Medicare drug coverage starts, "we believe there are stopgap measures that are safer and more practical than importation." Among them: "Medicare drug discount cards ... cheaper generic alternatives ... free samples given [by manufacturers] to doctors ... and hundreds of [company-sponsored] patient assistance and discount programs that help millions of patients each year." Details of these programs are at www.helpingpatients.org.

Safety of parallel trade in the European Union: "Most of those countries have similar regulatory standards [to U.S. ones] ... But we do have concerns that through the practice of parallel trade, the manufacturer loses control of the safety of the product as it is repackaged and transported country by country."

Price controls and research: "Well over half of the world's new medicines are researched and developed by U.S. companies ... and not by those in countries that have government price controls."

Marketing versus research: "We still spend far more on research and development [R&D] than all aspects of marketing and advertising. Our companies spent \$33.2 billion on R&D last year."

Sales representatives kept informed on doctors' prescribing habits: "We don't have information on that. Federal antitrust law precludes us, as a trade association, from getting involved in individual companies' business practices, and we don't."

Voluntary ethical guidelines on doctor-sales rep relations: "The companies are implementing these guidelines in good faith. They should be given an opportunity to work." Although there have been earlier guidelines, "we believe the new ones have closed the loopholes." How are the guidelines monitored and enforced? "That's up to each individual company."

Doctors paid to promote new products to other doctors: "We don't have any data on that."

Training and background of sales reps: "They don't hit the road till they've done rigorous technical training. Many were [once] pharmacists and nurses, but I don't know how many [came from business]."

Free samples given to doctors: "We believe very strongly this is a legitimate exercise." Apart from benefiting needy patients, samples "allow doctors to get early experience with new medicines. There is no obligation [for doctors to use them]."

Lobbying through advocacy groups for specific diseases: "We don't discuss our lobbying activities, but it's safe to note that we certainly want to work with like-minded entities."

Lobbying against evidence-based research: This approach is "an attempt to justify line-item budget cuts that prevent patients from getting the medicines they need. It overlooks the fact that each medicine can affect individual patients differently."

Amid extensive media interest in the withdrawal of Vioxx, Merck was unable to respond to points raised in this article before press time.

him. Company lawyers interrogated him for a full day on what he'd told lawmakers and reporters in Washington. But, as the *Bulletin* went to press, Rost still had his job.

THE SALES REPRESENTATIVE

Arthur Kuebel had a 13-year career promoting drugs to physicians in Washington state until 2000, when he quit out of distaste for what he felt the job had become.

The industry describes this work—called “detailing” in the trade—as a valuable way of educating doctors who have little time to follow scientific journals. Kuebel says that was once true, in the days when many sales representatives, like himself, were recruited from science backgrounds. But now it’s “absolute nonsense,” he says. “There are reps with business backgrounds who don’t possess the academic skills to understand or discuss scientific data with physicians. I’ve met one trained in fashion design.”

By 2000, the last year the industry released employment figures, more than 87,000 drug sales reps were already targeting American doctors. Basically, “the entire enterprise is about creating dominant market share for your product,” Kuebel says. “That’s how you’re evaluated and compensated, with bonuses driven by product sales. And that creates a lot of problems, in terms of representatives’ conduct within physicians’ offices.”

A sales rep typically enters an office armed with information about the doctor’s prescribing habits that the company has purchased from wholesalers or other firms that track such data, Kuebel explains. Then the rep makes a sales pitch and departs, leaving the office “awash in free drug samples.” The samples benefit patients who can’t afford the drugs. But, he says, “it’s also a competition for shelf space,” a way of implying that the doctor “doesn’t even need to think about prescribing an alternative product at all—never mind whether it’s clinically appropriate.”

When a potential blockbuster drug is launched, the sales force goes into hyperdrive. Doctors are identified, trained and paid honorariums to talk

up the new product to other doctors. Kuebel was working for Merck in 1999 when it launched Vioxx, the heavily promoted anti-inflammatory drug that earned billions of dollars before being withdrawn from the market last month after being found to increase the risk of heart disease. [See story on page 16.]

“We spent around \$55,000 in this area alone [in central Washington state] on what are called peer influence meetings in the first six months of the Vioxx launch,” he says. Doctors were paid \$250 to \$2,500 to promote Vioxx at “roundtable” discussions or larger dinner meetings. “Many doctors had little or no idea,” Kuebel says, “that the information they were giv-

ing supported the promotional strategy devised by the marketing group.”

The aggressive and unethical methods that some drug reps have used to encourage doctors to prescribe their wares are now well known—lavish dinners, gifts, tickets to ball games and golf tournaments, cruises and vacations only thinly disguised as “medical education.” After such scandals erupted in headlines two years ago, the industry introduced voluntary guidelines to set limits on acceptable behavior.

“But this is the third time in my career that the industry, like a group of alcohol abusers, has agreed to take the cure voluntarily to sidestep any sort of mandatory compliance,” Kuebel says.

The second time it happened, back in 2000, “a manager was describing how we should be ‘careful,’ and there was to be no inviting doctors to play golf. But, nudge-nudge, wink-wink, we could just indicate which physicians would like to golf and the managers would take them out golfing instead.”

It was such attitudes that made Kuebel quit the business. Knowing how much money was spent on promotions, he says, he felt personally “uncomfortable sitting in the waiting room next to patients who didn’t have two pennies to rub together and realizing what they were being asked to pay for.”

On a wider level, he says, the culture of detailing has changed. “Helping physicians make patients’ lives better through good practices has given way to a maniacal obsession to increase market share at any cost, and the well-being of patients be damned.”

Kuebel recently returned to the same line of work, hoping the industry had cleaned up its act by following the most recent ethical guidelines. Fully aware that talking to the *Bulletin* could jeopardize his new job, he still feels it’s important to speak out for change in the industry. “Medically and financially, a higher interest would be served if the companies used more resources for developing innovative drugs than for excessive marketing of those that arguably do not advance medicine significantly.”

THE LOBBYIST

At his peak, Kurt Furst earned \$600,000 a year working as chief Washington lobbyist for the now-defunct drug company G.D. Searle and at other times lobbied state governments on behalf of Pfizer and Merck. But four years ago he quit “in disgust” and later used his talents working against Pharma lobbyists, trying to beat them at his old game.

At critical times for the drug industry—when it wants a bill passed or defeated—it mobilizes a small army of lobbyists on Capitol Hill, more than one for each member of Congress. And whenever a state tries to lower the cost of prescription drugs, it sends in rapid-response reinforcements to state capitols to argue its case.

Furst remains proud of his lobbying career but draws a clear line be-

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tween what he regards as ethical and nonethical conduct. For him, the crunch came in 2000 when his company, Merck, was among those fighting to keep an open formulary in Florida's Medicaid program—meaning that patients would still have access to all medications, and companies would be paid for any new, expensive drug. “If you have all the money in the world, that’s fine, that’s how it should be,” Furst says. But Florida needed to curb costs, and so the legislature and drug lobbyists agreed on a policy that became law. It limited Medicaid patients to having only three brand-name drugs unless they went through a lengthy preapproval process to get

more. “These were the poorest and sickest people in Florida, often needing seven or eight drugs,” Furst recalls.

At that point, “I realized I couldn’t look at myself in the mirror and justify what I was doing for a living,” he says. “It was taking a concept I had been so proud to represent—giving doctors the freedom to decide treatment—and turning it on its head.” He refused to support the lobbying effort and resigned.

Furst believes there’s been a cultural sea change in the drug industry. It came, he says, “with the advent of consumer television advertising. It overwhelmed everything. All the money

and energy of these great companies is going into marketing the Nexiums and Celebrexes of the world, because that’s where the easy money is, instead of into Alzheimer’s research or the next generation of schizophrenia drugs.”

Lobbying changed, too, as the industry invested more heavily in front groups—fake grassroots organizations that conceal their Pharma funding. Most unethical of all, Furst believes, “is the manipulating of disease groups, like families of mental health patients, to say with absolutely no evidence that a government policy is going to take away a drug from them, and to do it in a way that truly terrifies them.”

So Furst went over to the other side.

In 2001 he joined the staff of Oregon’s then-governor, John Kitzhaber, and helped pass a law that set up the nation’s first “evidence-based” drug evaluation program. This makes head-to-head comparisons of drugs used for the same medical conditions, based on the best scientific research, to determine the most effective ones and publish the results.

Still a work in progress, the program will eventually offer doctors, patients and health care insurers a chance to see which drugs work best and, therefore, which to pay for. “It’s the silver bullet,” Furst says. “It’s the only real way of containing prescription drug costs, and the pharmaceutical industry has done nothing but fight it.” ■