

## A Monster That Will Not Obey

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At its Interim Meeting on Nov. 17, 2015, the American Medical Association (AMA) made a surprising call to ban direct-to-consumer advertising of prescription drugs and medical devices:

"Today's vote in support of an advertising ban reflects concerns among physicians about the negative impact of commercially-driven promotions, and the role that marketing costs play in fueling escalating drug prices,' said AMA Board Chair-elect Patrice A. Harris, M.D., M.A. 'Direct-to-consumer advertising also inflates demand for new and more expensive drugs, even when these drugs may not be appropriate.'"<sup>1</sup>

According to the AMA [press release](#), "The United States and New Zealand are the only two countries in the world that allow direct-to-consumer advertising of prescription drugs." The AMA cites a study noting, "[Direct-to-consumer] advertising dollars spent by drug makers have increased by 30 percent in the last two years to \$4.5 billion."

The primary reason behind the AMA's call for a ban on direct-to-consumer advertising is illustrated in a [recent poll](#) by the Kaiser Family Foundation. The poll found that "28% of [the] public report asking [their] doctor about a drug they saw advertised, and 12% say their doctor prescribed it."<sup>2</sup>

This kind of measurable return on their advertising investment makes it easy for drug companies to calculate their additional revenue based upon increasing prices. And while these price increases seem outrageous, most consumers in our current drug-dependent culture are left with few alternatives.

As you may have noticed, drug prices [are escalating](#) to obscene levels. Daraprim, used for infections, recently made the news when the price per tablet rose from \$13.50 to \$750, seemingly overnight. The same article reported that Cycloserine, used for tuberculosis, had moved from \$500 to \$10,800 for a 30-pill supply. And the price for an antibiotic, Doxycycline, has risen from \$20 a bottle to \$1,849.<sup>3</sup>

Another [news report](#) highlighting the rising costs of drugs list five reasons why this is happening:<sup>4</sup>

- *Consolidation* - Fewer drug companies means those companies can charge higher prices.
- *Shortages* - Some raw materials are harder to get.
- *Collusion* - There is evidence of drug companies working together to inflate prices.
- *Former Prices Too Low* (no specific examples provided in the article).
- *Because They Can* - Exclusive drugs are a license to profiteer.

Enter the AMA, effectively trying to reign in the very monster it has created. But like Dr. Frankenstein, the AMA will likely find the beast too powerful to subdue on its own.

What makes this story different is the sheer magnitude of this monster. The AMA freely admits that

the drug companies recently increased their spending to \$4.5 annually for advertising to consumers. What it doesn't mention is that this is just a small portion of Big Pharma's marketing budget. According to [The Pew Charitable Trusts](#), "In 2012, the pharmaceutical industry spent more than \$27 billion on drug promotion - more than \$24 billion on marketing to physicians and over \$3 billion on advertising to consumers (mainly through television commercials)."<sup>5</sup>

Assuming similar increases for all marketing efforts, the AMA now faces an industry monster with combined marketing power of more than \$80 billion. By contrast, the AMA's total annual lobbying budget in recent years is less than \$20 million.

Looking deeper at the AMA's 2014 revenue, we find only \$40.3 million of its total annual revenue of \$284.6 million came from membership. More than 80 percent of revenue (\$229.3 million) came from "Publishing & Business Services." This includes advertising revenue from ads placed predominantly by drug manufacturers and "licensed data sales," which is largely the licensure of the AMA's Masterfile to drug companies.<sup>6</sup>

[An article](#) in the *Public Citizen Health Letter* sheds some light as to why licensed data sales are "the organization's single most profitable products." The authors note:

"Use of the AMA's Masterfile data allows drug companies to match physician information with prescription data available from pharmacies, thus creating a prescribing history for every physician in the U.S. This practice, known as data mining, enables drug companies to tailor their promotional efforts to the specific prescribing practices of individual physicians, as well as evaluate the overall effectiveness of their sales pitches."<sup>7</sup>

So, the obvious questions that immediately come to mind are, how hard will the AMA truly lobby to ban direct-to-consumer advertising of drugs when as much as 50 percent of its annual revenue comes from the drug industry? And even if the AMA does make a sincere effort, what difference will it make, given the relatively paltry amount of money it has to spend? Even if the AMA spent its entire annual budget on lobbying for the ban, it would probably amount to less than 5 percent of what the drug cartel spends on marketing in a given year.

In short, the AMA's actions are too little too late and have the appearance of lip service to its membership, Congress and the consumer public.

## References

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6. AMA 2014 Annual Report.
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