

GSK to scrap individual sales targets (Update)

December 17 2013, by Danica Kirka

British drug company GlaxoSmithKline said Tuesday it would stop paying doctors to promote its products at speaking engagements and scrap individual sales targets, months after its ethics were challenged by a bribery scandal in China.

The group announced sweeping changes to its marketing practices, which also included a halt to direct financial support to health care professionals to attend medical conferences. However, it left open the possibility of funding through grants.

"It is patients' interests that always come first," Andrew Witty, the company's chief executive, insisted. "We recognize that we have an important role to play in providing doctors with information about our medicines, but this must be done clearly, transparently and without any perception of conflict of interest."

GSK is influential in big pharma, the world's sixth-largest drugs company in terms of global sales. Its major products include the asthma drug Advair and the prostate drug Avodart.

The practice of paying doctors to attend conferences or discuss treatments has undergone growing scrutiny for years in the United States, where drugmakers will be required to disclose financial relationships with care providers as part of the federal health care overhaul. Several have already started doing that.

"I think that's a dying practice," said Erik Gordon, a professor at University of Michigan's Ross School of Business who follows the pharmaceutical industry. "It's caught the eye of regulators and it makes the public wonder whether drug companies and even their doctors can be trusted."

GSK's move follows another drug company, AstraZeneca, in tightening its practices on conferences. In 2011, AstraZeneca decided that it would offer support for a medical professional to attend a conference only in limited circumstances, with the specific aim of contributing to high-quality scientific discourse.

GSK insists that the changes were unrelated to the scandal, but they come as it tries to distance itself from the troubles engulfing its operations in China, which Witty has said were conducted by people "acting outside of our processes." In July, he insisted that "99.9 percent" of company employees play by the rules.

Chinese police allege that four employees paid bribes to doctors to encourage them to prescribe medications.

The company says that under its new program, individual sales targets will be replaced by a new system in which GSK employees will be rewarded for their technical knowledge, their quality of service and overall performance. The goal is for the new system to be in place by early 2015.

It added that these changes were influenced by a similar program introduced in the United States in 2011.

"The 'Patient First' program bases compensation for sales professionals who work directly with prescribing health care professionals on a blend of qualitative measures and the overall performance of their business,

rather than the number of prescriptions generated," the company said.

But analysts such as Alastair McCaig at IG argued the company decided to act with an ethical bent rather than await the consequences of the China scandal.

"With the bribery investigation going on in China, it looks like the company has decided to jump before being pushed, as it is forced to do something to tackle its conflict of interest," he said.

The company said the changes were also unrelated to past troubles in the United States. It paid \$3 billion last year and pleaded guilty to promoting two drugs for unapproved uses and failing to disclose important safety information on a third. The criminal case was accompanied by a civil settlement in which the government said the company's improper marketing included providing doctors with European hunting trips, high-paid speaking tours and even tickets to a Madonna concert.

At the time, the company said it had learned from its mistakes.

Health care advocates welcomed the change in GSK's position, but some, like Tim Reed, the executive director of Health Action International, said self-regulation remains a big problem in the industry.

"It is like marking your own homework," said Reed, who favors strong state regulation.

Though he did not expect huge changes, Reed said Glaxo's decision may reflect a change of thinking in the industry—away from targeting doctors and toward those who pay the bills, like agencies that make recommendations on which drugs to buy.

"It is possible that the role of health care professionals, responsible for

writing prescriptions for medicines are becoming of less value to the pharmaceutical industry, in terms of the promotion of products," he said.

"Rather, it may be those with the ultimate responsibility for paying the bill for medicines, for example insurance companies and governments, so the focus of attention for sales reps may well switch to those making the therapeutic and cost-effectiveness decisions on medicines availability," he added.

GSK's share price closed down 1.5 percent at 15.66 pounds.

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