

Making Sense of the New Phrma, AdvaMed Codes

BY MATT ALDERTON



Six years ago, the American Academy of Neurology had a vision. Although its members are doctors, not psychics, the vision was prescient just the same, as it foresaw a future in which the relationship between health care providers and industry was strictly regulated. In order to protect patients, it predicted, the industry one day would build a figurative fence between doctors and the companies that market to them — and associations would have to play the part of border patrol.

In response, AAN crafted a comprehensive policy regulating its relationship with sponsors, prohibiting the association from accepting external funds that would create even the appearance of a conflict of interest. “We wanted to be proactive by saying, ‘We realize the relationship between industry and medicine is appropriate, but only to a certain point,’” says AAN General Counsel Murray Sagsveen, JD, CAE.

That was in 2004. In 2009, the Pharmaceutical Research and Manufacturers of America and the Advanced Medical Technology Association enacted revisions to their codes of ethics encouraging their members — companies manufacturing pharmaceuticals and medical devices — to do what AAN already had done: Separate church from state, clearly and completely.

“The PhRMA and AdvaMed codes are minimum standards,” Sagsveen says, “but they have completely changed the relationship between industry and physicians.”

The fence that AAN foresaw is officially under construction. And although it’s intended to separate manufacturers from practitioners, health care associations are nonetheless stuck in the middle, where the updated PhRMA and AdvaMed codes are threatening to dry up their deepest non-dues revenue streams.

UNDERSTANDING THE CODES

PhRMA and AdvaMed debuted their original codes of ethics in 2002 and 2003, respectively. Written for member companies, they were designed to benefit patients by promoting transparency and discouraging conflicts of interest.

“It’s supposed to provide guidelines for PhRMA member companies on how their professionals should interact with doctors, nurses and anyone who has prescribing authority,” PhRMA Senior Assistant General Counsel Marjorie E. Powell says of the PhRMA Code.

The codes didn’t go far enough, however. “In the past few years there have been a number of excesses on the part of pharmaceutical and device companies, who’ve made payments to physicians that many in the public, in the media and in Congress have deemed inappropriate,” Sagsveen says. “That created a bad image not only for industry, but also for physicians.”

In order to repair that image, PhRMA announced a series of revisions to its code in July 2008. AdvaMed followed suit in December 2008. The changes — which took effect in January and July 2009, respectively — were designed to reaffirm, according to a PhRMA statement, that interactions between health care manufacturers and providers “should be focused on informing the health care professionals about products, providing scientific and educational information, and supporting medical research and education.”

As a result of the changes, the PhRMA and AdvaMed codes now prohibit companies from providing:

- Non-educational gifts
- Promotional items featuring company names and logos
- Restaurant meals
- Entertainment and recreation
- CME content they helped develop.

THE ASSOCIATION EFFECT

The PhRMA and AdvaMed codes weren’t written for associations. But because companies use their meetings, conferences and programs to interact with practitioners, health care associations are nonetheless impacted by them.

“Pharmaceutical and device companies are being much more careful in the way that they fund associations’ activities,” Sagsveen says. “Associations that rely financially on pharmaceutical and device companies can therefore anticipate a decline in revenue.”

The American Society of Gastrointestinal Endoscopy already is experiencing such a decline, according to ASGE Corporate Relations Director Linda Kay Tyler.

“A company who supported our annual meeting and book bags for 20-plus years is no longer doing it,” she says. “We’ve seen the same thing in the exhibit hall.”

In fact, the updated PhRMA and AdvaMed codes have a number of implications for associations, who say the impact on their meetings is especially pronounced, affecting:

- **Attendance:** Because companies are more reluctant to sponsor conferences and exhibit at them, the net cost of meetings is going up, forcing many associations to consider raising the price of registration, which could dissuade attendees.
- **Destinations:** Because the revised PhRMA Code requires meetings to be held at venues that are “appropriate” for scientific informational sessions, associations must carefully choose meeting destinations and venues, which can no longer include resorts.
- **Educational sessions:** Although companies can still support CME programs, they can no longer help associations identify speakers or content for them, which could impact the makeup of association committees.
- **Exhibitions:** Because so-called “reminder items” — branded pens, coffee mugs, etc. — are no longer allowed, trade shows are attracting fewer attendees and fewer exhibitors.
- **Sponsorships:** Because companies can no longer pay for gifts, meals or entertainment, associations can no longer ask them to sponsor cocktail receptions, lunches or even lanyards.

CREATIVE CURES FOR ANNUAL MEETINGS

Although the relationship between health care associations and industry has changed, it hasn’t disappeared.

“Money is not going away,” Tyler says. “It’s just being shifted.”

Adds meeting supplier Jonathon Hixon, CMP, associate director of sales for Tourism Toronto, “Associations still need to meet, the research still needs to be presented and the science is still very important. The question is, how much is it going to cost associations to continue delivering it?”

To keep costs in check and compliance top of mind, associations should:

- **Study the codes:** Pharmaceutical and device companies want to do business with associations that understand what they can and cannot do, according to Tyler, who says associations that can help companies navigate the codes and comply with them are at an advantage when it comes to securing grants, sponsorships and exhibits.
- **Practice what they preach:** The revised PhRMA and AdvaMed codes require companies to keep accounting, marketing, education and grant activities separate, so associations should do the same, Tyler says.

- **Collaborate with industry:** Just as important as what the revised codes prohibit is what they allow, according to Powell, who suggests engaging industry in order to create new code-compliant programs. Although companies can’t gift pens, for instance, they can distribute educational items such as textbooks, anatomical models and informational brochures. Although they can’t drum up trade show traffic with lavish giveaways, they can generate booth interest by hosting peer-to-peer discussions or creating high-tech educational experiences. Although they can’t pay physicians to attend events, they can participate in hosted-buyer programs organized by associations. And although they can’t directly sponsor meals or entertainment, they still can contribute to general conference funds that may or may not pay for them. The onus is on associations to find out what sponsors and exhibitors are comfortable with, and to design new opportunities to match.
- **Engage suppliers:** Associations should look to their suppliers for help, according to Hixon, who says destination marketing organizations can help them navigate local laws, identify code-compliant venues, fund programs and market their meetings in pursuit of more attendees with which to fill the revenue gap left by sponsors.
- **Invest in new opportunities:** Because meetings revenue is falling, associations should consider other non-dues revenue opportunities, according to Sagsveen, who says that AAN, for instance, is counting on publishing for additional non-dues revenue.
- **Cut costs:** Because stimulating non-dues revenue is challenging in a down economy, Sagsveen recommends cutting costs to cope with the financial effects of code changes on meetings. AAN, for instance, has downsized its staff travel budget and is holding fewer face-to-face committee meetings, opting instead to meet via teleconference.

The bottom line: The best response to compliance is creativity. “Associations are going to have to get far more innovative,” Sagsveen says.

Not too innovative, though, according to Powell. “Meetings continue to be important,” she says. “Pharmaceutical companies continue to have enormous amounts of information and prescribers continue to need that information. The codes haven’t changed that. What they’ve done is clarified what kind of information is appropriate and under what circumstances it’s appropriate to give it.” ■

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HEALTH CARE ASSOCIATIONS: LEARN MORE IN MARCH

Learn more by attending the “Improving Your Business Practices to Align With PhRMA, AdvaMed Codes” education session on March 4, 2010, location TBD. This can’t-miss educational event promises the best solutions to associations’ biggest code-related problems. Register online at www.associationforum.org.