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BUSINESS

Doctors Net Billions From Drug Firms

Companies Paid at Least \$3.5 Billion in Last Five Months of 2013

By PETER LOFTUS

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Drug and medical-device companies paid at least \$3.5 billion to U.S. physicians and teaching hospitals during the final five months of last year, according to the most comprehensive accounting so far of the financial ties that some critics say have compromised medical care.

The figures come from a new federal government transparency initiative. The 2010 Affordable Care Act included a provision dubbed the Sunshine Act, which requires manufacturers of drugs and medical devices to disclose the payments they make to physicians and teaching hospitals each year for services such as consulting or research. The Centers for Medicare and Medicaid Services compiled the records into a database posted online Tuesday, though the agency said that about 40% of the payment information won't identify the recipients because of data problems.

The database revealed some eye-popping totals, such as the \$122.5 million paid by Roche Holding AG's Genentech unit to City of Hope medical center in Duarte, Calif., as royalties on sales of several products including blockbuster cancer treatments Herceptin and Avastin.

Genentech licensed patents from City of Hope based on research the medical center conducted in the early 1980s. The company said that excluding the City of Hope royalties, about 85% of the physician payments it reported to CMS were focused on drug research. City of Hope said the royalties are allocated to the inventors and to support continuing research.



The Centers for Medicare and Medicaid Services posted a database online showing payments made by makers of drugs and medical devices to physicians and teaching hospitals. *BLOOMBERG*

Some doctors disputed details of the payment data. The database shows John LeDonne, a surgeon from Baltimore, as having received about \$78,200 in payments for food and beverage for the five-month period from medical-device maker Teleflex Inc.

Dr. LeDonne acknowledged he performs paid consulting work for health-care companies including Teleflex, but that he rarely received free meals. He said the total payment amount was in the right "ballpark," but should not have been classified in the food-and-beverage category.

"They certainly did not give me \$78,000 in lunch money," Dr. LeDonne said in an interview. "Lunch is not a big deal in most parts of my life." Teleflex didn't immediately respond to requests for comment.

The push for greater transparency was driven by concerns that doctors' prescribing decisions are tainted by the money and gifts they receive each year from companies. Supporters expect the transparency initiative to provide useful information to patients about the relationships their doctors have with industry and to curb the influence of payments on medical care.

"The financial relationships between doctors and drug companies and medical-device companies are a source of conflicts of interest," said Allan Coukell, director of the Pew Prescription Project, which has supported the Sunshine Act. "They have the potential to influence the care that patients get and so they're a matter of interest both to individual consumers and to policy makers."

CALLS FOR TRANSPARENCY

- The government wants to have more disclosure about payments made to doctors and teaching hospitals. (<http://cms.gov/openpayments/>)
- U.S. physicians have faced scrutiny over gifts received from companies. (<http://online.wsj.com/news/articles/SB10001424127887323455104579014812178937016>)
- Some drug makers have reduced their payments to doctors. (<http://online.wsj.com/news/articles/SB10001424127887324695104578414530096553710>)
- Does the Open Payments database distort what doctors receive for research? (<http://blogs.wsj.com/pharmalot/2014/09/30/does-the-open-payments-database-distort-doc-payments-for-research/>?)
- CMS is asked to drop some payments from sunshine database. (<http://blogs.wsj.com/pharmalot/2014/09/16/cms-asked-to-eliminate-more-payments-from-sunshine-database/>)

Companies have defended their payments to physicians as necessary to conduct research and communicate how products should be used. "I welcome these disclosures," said John C. Lechleiter, chief executive of drug maker Eli Lilly & Co., which was mandated to report physician payments on its website as part of a 2009 settlement with the government over illegal-marketing allegations. "We believe the payments that are spelled out in these reports can be entirely justified and in fact are critical for us to be able to discover and develop medicines and effectively communicate their value."

The payments and so-called transfers of value to an estimated 546,000 doctors and 1,360 teaching hospitals include such items as free meals that company sales representatives bring to physicians' offices, fees paid to doctors to speak about a company's drug to other doctors at restaurants, compensation for clinical trial research and consulting fees.

Some doctors have earned tens of thousands of dollars annually from drug companies by flying to various cities to give paid speeches, while some surgeons have received even larger amounts from medical-device makers, partly from royalties on products they helped develop.

Doctors have expressed concern about having their names attached to money paid by industry. Some have scaled back their interactions with industry because they know it will be reported publicly.

The information in the database is broken down by category of payment—separating out research from "general payments," which includes money paid for a range of things including consulting, travel, grants and entertainment, for instance. But some doctors are concerned the public presentation of the data will lack context that explains the possible value of the doctor's relationship with a company.

"Questions from confused patients are especially likely, given that the online database is not expected to offer much context for the financial interactions it reports between physicians and manufacturers of medical devices and drugs," the American Medical Association said. The association had asked CMS to delay publication of the payment data to give doctors more time to review the accuracy of the reports.

Among individual physicians, Stephen Burkhart was one of the top recipients of non-research payments from industry. The San Antonio orthopedic surgeon received \$7.4 million in non-research payments or transfers of value for the five-month period, mostly from device manufacturer Arthrex Inc. for payments identified as "royalty or license."

Dr. Burkhart couldn't be reached for comment. Arthrex said in a statement that it has "financial relationships with a number of orthopedic surgeons and teaching hospitals," like many manufacturers, for their advice and expertise.

Chitranjan Ranawat, a New York orthopedic surgeon, received about \$4 million in nonresearch payments or transfers of value, mostly from Johnson & Johnson's DePuy Synthes unit for "royalty or license," according to the database.

Dr. Ranawat couldn't be reached for comment. A J&J spokeswoman said the company works with surgeons and other professionals to develop products, and pays royalties to inventors holding patents.

Some drug and device companies including Lilly, Pfizer Inc. and GlaxoSmithKline PLC have been disclosing individual physician-payment records on their own websites for several years because of settlements of government investigations of their marketing practices.

Such company disclosures have shown that some companies have reduced spending on items such as speaking fees and meals in recent years. Some said they cut back on such items because they have reduced the size of their sales forces and have used other methods of communicating with doctors, such as online meetings.

The first batch of data released by CMS on Tuesday covers payments made from Aug. 1 to Dec. 31, 2013. Beginning next year, companies will report full-year data annually. Companies submitted the data to CMS earlier this year, using the so-called Open Payments portal. The agency has allowed physicians to register with the Open Payments system to get a preview of the payment records, before it went public, to allow time for them to dispute any reports they believed were inaccurate.

But it hasn't been a smooth process. First, CMS delayed the public reporting of the data by a year to give companies more time to prepare. The Open Payments online system has experienced technical problems, including a data mix-up that resulted in some doctors being linked to payment records for other doctors with the same surname. The preview function for doctors had a cumbersome registration process, some doctors said, and was taken offline at times in recent weeks.

The first batch of data is incomplete. CMS in August said it removed about one-third of the payment records from the physician-preview database because it said some of the state medical-license numbers that companies reported for doctors didn't match a database that the agency was using for verification, among other problems. CMS now is releasing those records but without identifying the physicians tied to them. It will update the database to include the physicians' names for those records next year. Also, CMS isn't immediately releasing payments related to proprietary research-and-development; those will be reported at a later date.

The agency's handling of the problematic records also has drawn criticism from companies, which said they reported the vast majority of data properly.

About \$22 million in physician-payment records reported Eli Lilly for the five-month period of last year, for example, was removed from the physician-preview database, out of a total reported of about \$85 million, said Ashish Kalgaonkar, senior director of Lilly's transparency reporting. "I'm very confident that my data is correct," Mr. Kalgaonkar said.

Industry and medical groups also have complained that CMS didn't offer advance information about how the data would be presented publicly.

"The rollout won't be perfect," Sen. Chuck Grassley (R., Iowa), a co-author of the Sunshine Act legislation, said in a written statement before Tuesday's release. "Some information will be withheld because CMS wanted to protect doctors from a small amount of reports that might be imprecise. But as the information is refined, the database will improve. It will become more complete as doctors, drug and device companies and CMS work to update and refine the information."

The new database may lend itself to a range of uses. A Justice Department spokeswoman said Tuesday the department may use the Open Payments data "to help assess the nature and extent of any financial relationships that exist between pharmaceutical and medical device manufacturers and prescribing physicians, and whether such relationships violate federal law."

One former Senate staffer who was closely involved in the effort to pass the Sunshine Act hopes the database will do some good. "This website will let patients ask a very important question: 'Is a relationship between my doctor and a drug company right for me?' It took six years of hard work to get this site together and, hopefully, it will help clean up medicine," said Paul Thacker, a former aide to Sen. Chuck Grassley (R-Iowa) who is now a fellow at the Safra Ethics Center at Harvard University. He said the "total amount of money is pretty eye popping."

—Joseph Walker, Ed Silverman and Tom McGinty contributed to this article.

Write to Peter Loftus at peter.loftus@wsj.com

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