

Blanche and Irwin Lerner Center for Pharmaceutical Management Studies



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Message from the Director

Issue 3

It gives me a great pleasure to present to you the third issue of the Lerner Center's Newsletter. It highlights the activities of the Center during the past year including the fourth annual symposium, American Healthcare 2008 and Beyond. The Symposium gathered the two senior healthcare advisors for the McCain and Obama campaigns to present their respective healthcare plans. Presented by Rutgers Business School, the Symposium was hosted by the Lerner Center in partnership with the HealthCare Institute of New Jersey. The Center appreciated the update by Michael R. Cooper, Dean of the Rutgers Business School and the opening remarks by Marc Holzer, Dean of Rutgers School of Public Affairs and Administration. The Lerner Center links the resources and expertise of the pharmaceutical industry to the University and other organizations. It facilitates pharmaceutical management research within Rutgers Business School by providing industry data, colloquia and seminars to exchange ideas, and organizational support for research. The Center also organizes workshops on issues facing the pharmaceutical, biotech and healthcare industries that involve participants from academia, government, and industry.

We thank the following individuals and organizations for sponsoring the Center's activities: Blanche and Irwin Lerner, Robert Campbell, The HealthCare Institute of New Jersey, Bristol-Myers Squibb, Celgene, Novo Nordisk, Pfizer, Roche, and Sanofi-Aventis.

We would appreciate any comments from you about the Center's activities and programs.

Mahmud Hassan, PhD
Director



AMERICAN HEALTHCARE 2008 AND BEYOND

McCain & Obama Healthcare Advisers Debate at Annual Symposium as Contrasting Proposals for American Healthcare Reform are Presented

"Timely, relevant and significant" was how Mahmud Hassan, founding director of the Blanche and Irwin Lerner Center for Pharmaceutical Management Studies characterized Rutgers Business School's 2008 Annual Healthcare Symposium, titled *American Healthcare 2008 and Beyond*. Held in Newark, NJ, and attended by an at-capacity audience of industry executives, government officials, medical practitioners, and scholars, the program was coordinated by the Blanche and Irwin Lerner Center for Pharmaceutical Management Studies at Rutgers Business School, in partnership with the HealthCare Institute of New Jersey. David Cutler, PhD, Otto Eckstein Professor of Applied Economics at Harvard University and adviser to Senator Obama and Gail R. Wilensky, PhD and senior fellow for Project HOPE, adviser to Senator McCain, presented their candidates' proposals to reform the American healthcare system. Susan Dentzer, editor-in-chief of *Health Affairs* and analyst for PBS's *The NewsHour with Jim Lehrer*, moderated.

Ms. Dentzer framed the key

questions as: cost -- reducing the unsustainable 7% annual spending; quality -- the "extremely uneven" quality of care; and access -- how to insure the 47 million Americans without coverage and the 20 million with inadequate coverage. Underlying each of these areas was the question of government's role in healthcare.

Dr. Cutler stated that Senator Obama's three major goals are guaranteed affordable health insurance coverage for everyone, more value for what we spend, and a functioning public health system. He suggested that most people would buy health insurance without mandates if they "had a place where they can buy it at a price they can afford." To achieve affordability, Dr. Cutler talked about tax credits and reducing the cost of insurance by reducing waste and investing in quality and information technology. Dr. Cutler emphasized that "Senator Obama is proposing to spend a lot of money up front so that everyone will have coverage," money that could come from re-directing President Bush's tax cuts for the wealthiest to insur-

ance subsidies. He characterized Obama's perspective: "We know what to do, we just haven't had the leadership to get it done" and suggested that Senator Obama has a unique ability to inspire people to work together.

Dr. Wilensky outlined Senator McCain's priorities as slowing spending and patient control over their own medical care decisions. She argued that the increasing rate of spending is driving the increase in the uninsured. To slow spending we must "learn how to spend smarter" by better measuring quality outcomes and changing payment incentives for providers to deliver quality care. A cornerstone of the McCain plan is to replace the tax benefit for employer-provided insurance, with a tax credit of \$5,000 per family (\$2,500 per individual). Dr. Wilensky argued that this plan is more fair to those who don't get insurance through work and more equitable because the wealthy pay a higher marginal tax rate to get a bigger benefit from tax-free health insurance.

(Continued on pg. 3)



Gail R. Wilensky, PhD



David Cutler, PhD



Susan Dentzer

VISIT BUSINESS.RUTGERS.EDU/LERNER TO SEE PRESENTATIONS BY DRs. CUTLER & WILENSKY

The Blanche and Irwin Lerner Center for Pharmaceutical Studies Proudly Announces the 2008-09 Robert Campbell Pharmaceutical Seminar Series

Location: Rutgers Business School-Newark and New Brunswick,
Rutgers, The State University of New Jersey
Management Education Center

111 Washington St, Room 203, Newark, NJ 07102

Registration Fee: Free to Rutgers Business School Faculty, Students, and Staff
\$210 for Rutgers Alumni and sponsoring Companies BMS, Eisai, J&J, Merck, Novartis,
Schering- Plough, Roche, and their subsidiaries and current members of BioNJ
\$250 General Public (Includes seminar fee, breakfast, and on-campus parking)

To attend, you must RSVP: icastillo@business.rutgers.edu, 973-353-1016

Tuesday, October 7, 2008 9 am – 11:30 am

Priority Review Vouchers to Encourage Innovation for Neglected Diseases

Presenter: Henry G. Grabowski, PhD, Duke University, Professor of Economics and Director of the Program in Pharmaceuticals & Health Economics
Discussant: Richard Manning, PhD, Director, Transactions Services, Strategy, Pricewaterhouse Coopers

In September 2007, Congress enacted a "priority review voucher" to increase R&D for treatments for neglected tropical diseases, including malaria and tuberculosis. The seminar will discuss how the market for PRVs will evolve and what their ultimate effects will be in promoting R&D for tropical diseases as well as how PRVs will complement other public and private incentives, and whether the vouchers will lead to any important unintended consequences.

Wednesday, November 5, 2008 9 am – 11:30 am

The Impact of Public Basic Research on Industrial Innovation: Evidence from the Pharmaceutical Industry

Presenter: Andrew A. Toole, PhD, Rutgers University, Dept. of Agricultural, Food and Resource Economics, Rutgers University.
Discussant: Motasim Billah, PhD, Senior Medical Communication Scientist, Bristol-Myers Squibb

Using data on basic research investments by the U.S. National Institutes of Health (NIH), this seminar investigates the timing and significances of the contribution of public basic research to pharmaceutical innovation. The analysis finds that public basic research makes its primary contribution in the earliest part of the drug discovery and that a 10% increase in public investment in basic research leads to a 6.4% increase in the number of new drugs on the market.

Tuesday, December 2, 2008 9 am – 11:30 am

How to Manufacture Pharmaceutical Products Responsibly in China

Presenter: Michael A. Santoro, PhD, Rutgers Business School, Accounting, Business Ethics & Info. Systems
Discussant: Arthur Fabian, PhD, Executive Director, Technical Affairs, SST Corporation.

In this past year, the deaths attributed to tainted heparin imported from China have caused many to question the safety and quality of products manufactured in China. This seminar will provide an overview of some of the major problems the Chinese pharmaceutical regulation and a practical framework for ethical decision-making to enable companies to responsibly source raw materials, intermediates, active pharmaceutical ingredients, and biologics in China.

Thursday, February 5, 2009 12 pm – 2:30 pm

Asymmetric Social Interactions in Physician Prescription Behavior: The Role of Opinion Leaders

Presenter: Tulikaa Bhatia, PhD, Rutgers Business School, Supply Chain Management and Marketing Sciences

We quantify the impact of social interactions and peer effects on prescription choices by physicians. Using individual-level prescription data and self-reported social network information, we document that physician prescription behavior is significantly influenced by the behavior of "opinion leaders." We use the estimates to measure the incremental value to firms of directing targeted sales-force activity to these opinion leaders and present estimates of the social multiplier of detailing in this category.

Tuesday, March 3, 2009 9 am – 11:30 am

The Geography of Licensing in Biopharmaceuticals: Global or Local Markets

Presenter: Michelle Gittelman, PhD, Rutgers Business School, Management and Global Business
Discussant: Mark Bach, PhD, MD, Vice President for Clinical Research Operations, Merck & Co.

We examine whether co-location affects the likelihood of vertical licensing transactions between biotechnology firms and global pharmaceutical firms. An analysis of compounds developed by small biotechnology firms licensed to global pharmaceutical firms suggests that licensing transactions are more likely to occur between firms located in the same geographic area. Our results suggest that despite global search processes by multinationals, licensing markets are localized.

Wednesday, April 1, 2009 9 am – 11:30 am

Globalization of the Bioscience Industry and Implications for NJ

Presenter: Dean David Finegold, DPhil, SMLR, Rutgers University

New Jersey has been the world leader in the pharmaceutical industry, with 15 of the top 20 global firms located in the state. Innovations in biotechnology have intensified the need to balance scientific vision with business savvy and the forging of cooperative alliances of all key stakeholders.

2007-2008 Robert Campbell Pharmaceutical Seminar Series

Optimal Marketing Strategies to Promote Prescription Drugs: The Case of Free Samples

Presented by Menahem Spiegel, PhD, Lerner Center Research Fellow and Department of Finance and Economics, Rutgers Business School
Discussants: Robert Melillo, VP & COO, PRS/Franklin and Jeffrey L. Thomas, President of Strategy & Analytics and Health Products Research (both representing Inventiv Health)

Wednesday, April 30, 2008

The seminar analyzed the processes and practices of distributing free samples with methodology to develop and evaluate a theoretical economic model.

Learning through Pharmaceutical Alliances

Presented by Danielle Dunne, PhD, School of Management, Binghamton University, State of New York

Thursday, April 10, 2008

Drawing on 85 interviews with scientist and managers in the bio-pharmaceuticals industry, Dr. Dunne showed how truly innovative learning can be created through alliances and why they are so vital for new product development in this industry.

Clinical Trial Supply Chain: Planning for Demand Failure

Presented by Yao Zhao, PhD, Dept. of Management Science and Information Systems, Rutgers Business School

Discussant: Micah Siegel, Production Planner, Global Biologics Supply Chain, LLC

Tuesday, March 4, 2008

The Seminar introduced a production planning model to incorporate the risk of failure and to optimally balance the failure costs against the cost of production inefficiencies which gave insights on the impact of the failure risk on product planning and financial risk.

Value-Based Pricing and Payment for Pharmaceuticals and Biologics

Presented by Luis Gutierrez, Jr., President, Commercialization Services, Covance, Inc.

Wednesday, December 5, 2007

The Seminar covered many aspects of pricing including: fixed versus variable cost drivers for bio-pharmaceutical products; approaches to quantifying the value created/delivered by a given bio-pharmaceutical product; pricing strategy considerations for a bio-pharmaceutical product; roles of intermediary decision-makers in regulating elasticity of demand for bio-pharmaceutical products; and emerging economic models that relate the prices paid for drugs to the therapeutic outcomes they deliver.

The Forces That Will Alter the Pharmaceutical Industry and How They Will Impact Careers

Presented by Michael Steiner, CFP®, CPA, Regent Atlantic Capital, LLC

Wednesday, November 14, 2007

Mr. Steiner described how the industry will change over the next decade: the skills that will be of greatest value; pharma's best future career opportunities; and how individuals can position themselves to take advantage of the forces.

Category vs. Branded: Examining the Effectiveness of the Direct-to-Consumer Advertising in the Pharmaceutical Industry

Presented by Sooyeon Nikki-Lee Wingate, PhD & Ying Xie, PhD, former faculty, Rutgers Business School

Wednesday, October 31, 2007

The seminar drew from the theories of diagnosticity and accessibility to analyze two types of DTCA: help-seeking (or category based) ads and product-claim (or branded) ads.

Leveraging Scientific, Technological, and Strategic Knowledge for Drug Discovery: Can We Do It Better?

Presented by Deborah Dougherty, PhD, Lerner Center Research Fellow, Department of Management and Global Business

Wednesday, October 17, 2007

This seminar built on almost 100 in-depth interviews with therapy scientists (biologists, chemists, pharmacologists), technological experts (bio-informatics, genomics, assay development), and strategic managers about their everyday innovation challenges and how they deal with them.

McCain & Obama Healthcare Advisers Debate at Annual Symposium as Contrasting Proposals for American Healthcare Reform are Presented (continued from page 1)

Dr. Wilensky acknowledged that Congress has the real power to enact healthcare reforms and noted Senator McCain's long and distinguished record of successful bipartisan legislative work.

Drs. Cutler and Wilensky faced spirited questioning from Ms. Dentzer and the audience. Ms. Dentzer asked how each campaign planned to finance their initiatives. The ensuing discussion crystallized a critical difference: the Obama campaign seeks to cover people first to realize efficiency savings, while the McCain plan seeks savings upfront to reduce insurance costs and thereby increase coverage.

Audience members asked about the impact of the campaigns' plans on the pharmaceutical industry. Dr. Cutler suggested that Obama's emphasis on getting appropriate care to those who currently don't receive it would be a boon for pharma. Dr. Wilensky suggested that the pharma is in a "strong position" to capitalize on McCain's emphasis on transparency and value. She clarified that the goal of re-importation and price negotiation is to equalize the price across markets in many cases by bringing prices up in undercutting markets.

In his welcoming remarks, Rutgers

Business School Dean Michael R. Cooper, PhD noted the success of its pharmaceutical management program in addressing the real-world management issues facing industry executives. This observation rang true in the IDT conference room during and after the Symposium, as lively discussions continued through lunch and spilled out onto the streets of Newark. Undoubtedly, the attendees will be talking about the Symposium well past the November election. **For videos of the symposium, visit business.rutgers.edu/lerner, then click on Annual Symposium**

American Healthcare 2008 and Beyond



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Fourth Annual Healthcare Symposium: American Healthcare 2008 and Beyond



The Hon. Bob Franks, Irwin Lerner, Gail R. Wilensky, PhD David Cutler, PhD, Susan Dentzer, Dean Michael R. Cooper, and Mahmud Hassan, PhD



An at-capacity audience of healthcare industry executives, government officials, medical practitioners, and scholars.



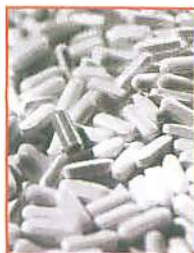
Irwin Lerner, chairman emeritus of Medarex, and retired chairman and CEO of Hoffmann-La Roche; The Hon. Bob Franks, President, The HealthCare Institute of NJ (HINJ)

RUTGERS

Rutgers Business School
Newark and New Brunswick

Two-Day Certificate Program in Pharmaceutical Management

October 16-17, 2008



This two-day program, presented by the Blanche and Irwin Lerner Center for Pharmaceutical Management Studies at Rutgers Business School, provides a cross-functional look at the global pharmaceutical industry, including intellectual property rights and reimbursement; sales and marketing practices; legal, regulatory, and public policy issues; valuation measures; and mergers and acquisitions.

Speakers include leading senior pharmaceutical and biotechnology industry executives, as well as distinguished Rutgers Business School faculty.

To Register: www.business.rutgers.edu/lerner | 973-353-1016 | icastillo@business.rutgers.edu.