

Plotting a Course Through The Data Jungle

By Angelo De Palma, PhD

Date: 2008-02-24

As distribution-channels tighten, pharma manufacturers are looking for better sales and marketing data

Who is prescribing pharmaceuticals, where does the patient get the drugs that are prescribed, and how much gets paid for filling the prescriptions? Answering these seemingly simple questions has given growth to the multibillion-dollar industry of providing sales data to manufacturers, retailers and payers (including governments).

The biopharma industry has a bottomless appetite for data that tell it what medical professionals are thinking, how sales channels are functioning, what the competitive landscape is, and where the new opportunities are.

Part of this appetite is simply the complexity of the pharmaceutical value chain: while the ultimate customer is the patient, the ultimate payer is usually an insurer or health plan, and the ultimate "buyer" (in the sense of making the product choice) is the physician. Another part is health statistics: the medical conditions of the population; the range of care options of healthcare providers; the tradeoffs between cost and performance that go into formulary designs and co-pay schedules.

Standing in the middle of this data swamp is the Health Insurance Portability and Accountability Act (HIPAA), the federal law that requires patient data to be kept private. The pharma data business has developed numerous techniques to comply with the law—although some states want to go farther in restricting access to the information (see box).

IMS Health defines the universe

Prescription data surveying is a global enterprise, but at least in North America, it is dominated by three players: IMS Health (Norwalk, CT), Wolters Kluwer NV (U.S. HQ: Yardley, PA) and Verispan (Yardley, PA). IMS Health is the far-and-away leader, at least on a global basis, grossing \$1.96 billion revenue in 2006. When Wolters Kluwer acquired NDC Health in late 2005 (NDC having been a close competitor of IMS Health), it paid \$382 million to buy a business that it said was generating revenues of \$163 million, and added that to existing services for a Wolters Kluwer Health unit that grossed just over \$1 billion in 2006. (The \$1 billion includes businesses in medical publishing and claims processing.)