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Provider-Identifiable Data & Healthcare Quality and Cost: Executive Summary

Provider-identifiable data are used by a diverse and growing range of parties in the U.S. healthcare system. Though one of its uses is for the marketing of prescription drugs, it is also used for recruitment in clinical trials, for the most efficient distribution of free samples, to assess quality of care and in assisting with drug recalls.

In 2006, the New Hampshire Legislature passed a law banning the commercial use of provider-identifiable data. Proponents of such legislation argue that the commercial use of provider-identifiable data violates patient and physician privacy rights, and increases the state's spending on prescription drugs.

This study, by PERC's **Information Policy Institute**, examines the uses of provider-identifiable data within the U.S. healthcare system. Since no personal identifying information for patients is included in prescription-level databases, claims about potential abuse of patient privacy rights are not addressed in this study. Our research finds:

Provider-identifiable data reduces the amount of mis-matches – in the absence of this information, firms would have to either increase their sales forces or market to physicians less likely to be interested in the marketed drug, or both. If 10% of those current visits that are judged by physicians to be useful became useless, the costs would amount to $1.4 billion per annum and the lost time would be equivalent to 7 million patient visits.

Access to provider-identifiable data serves as a price constraint – the ability of smaller biotechs and start-ups with innovative new drugs to rapidly define and reach their market at a relatively low cost creates effective competition in the U.S. pharmaceutical industry across all diagnostic classes. This competition, in turn, prevents larger drug manufacturers from exercising undue influence over prices.

Prohibition on commercial use of provider-identifiable data reduces innovation: Smaller biotechs and start-ups invest in basic R&D because the entry barriers in the market are low. A ban on the commercial use of these data would raise entry barriers by increasing search costs. Basic R&D would diminish as a result. With reduced overall competitive pressures, and less innovation, larger firms become further entrenched and exercise greater influence over price.

Banning commercial use of provider-identifiable data will not lower drug prices - an actual comparison of bans and repeals of bans on the marketing uses of prescription information in Canada shows no increase in the expenditure for drugs following this shift, and even shows a slight decline in expenditures for some classes of drugs.

The use of provider-identifiable data helps extend life expectancy in the U.S. – by enabling new drugs to be introduced at a relatively faster rate than in any other advanced economy. It is estimated that the introduction of new drugs increases average life expectancy by one week per year.