

**IMS Health Inc
and
Pharmaceutical Marketing Services Inc**

A report on the merger situation



MONOPOLIES AND MERGERS COMMISSION

IMS Health Inc and Pharmaceutical Marketing Services Inc

A report on the merger situation

**Presented to Parliament by the Secretary of State for
Trade and Industry by Command of Her Majesty
February 1999**

Members of the Monopolies and Mergers Commission as at 28 January 1999

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¹These members formed the Group which was responsible for this report under the chairmanship of Sir Archibald Forster.

Note by the Department of Trade and Industry

In accordance with section 83(3) and (3A) of the Fair Trading Act 1973, the Secretary of State has excluded from the copies of the report, as laid before Parliament and as published, certain matters, publication of which appears to the Secretary of State to be against the public interest, or which he considers would not be in the public interest to disclose and which, in his opinion, would seriously and prejudicially affect certain interests.

The omissions are indicated by a note in the text or, where space does not permit, by the symbol ✂.

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Part I

Summary and Conclusions

1 Summary

1.1. On 14 October 1998, the Secretary of State for Trade and Industry asked us (see Appendix 1.1) to investigate and report on the acquisition by IMS Health Inc (IMS) of enterprises previously under the control of Pharmaceutical Marketing Services Inc (PMSI). IMS is the leading global provider of market information to pharmaceutical manufacturers and healthcare companies.

1.2. Pharmaceutical business information is vital to the pharmaceutical companies, enabling them to monitor their competitive position, identify areas of product development, focus their sales and marketing activities and remunerate their salesmen. Such information in the UK was previously based mainly on data from wholesalers. At the time of the acquisition, PMSI also owned Source Informatics Inc (Source) which, in competition with IMS, had recently been developing services based on prescriptions dispensed at pharmacies, including information which identifies individual GPs, and which is regarded as of particular value by the pharmaceutical companies. The Department of Health has recently issued guidance that such services breach patient confidentiality, guidance which is subject to judicial review; our conclusions, however, are unaffected by this.

1.3. In 1997 IMS supplied about 37 per cent of pharmaceutical business information services in the UK. PMSI was active primarily in the USA and Japan, but also operated in the UK and elsewhere in Europe, and in 1997 accounted for some 9 per cent of such services in the UK. Within pharmaceutical business information services, however, we have identified the relevant market as that for specialized pharmaceutical data services, based primarily on data from wholesalers and from prescriptions processed at pharmacies, in which IMS accounted for some 85 per cent and PMSI 8 per cent.

1.4. We received a considerable amount of evidence from IMS's customers objecting to the merger, and complaining about IMS's previous commercial practices and performance. Although PMSI had recently incurred significant losses in the UK and elsewhere in Europe in developing prescription data services, it was in our view an effective actual and potential competitor to IMS in both prescription and wholesaler-based data, and that competition has been reduced as a result of the merger. We believe the prospects of effective entry into the UK market are limited given existing barriers to entry, and insufficient to offset the loss of competition resulting from the merger. Although the customers for the services are the major global pharmaceutical companies, the value of the services and of the market information IMS provides is considerable, there are no other significant suppliers of such information, and the countervailing power of those purchasers is therefore also in our view insufficient to offset the loss of competition resulting from the merger.

1.5. In our view, the merger may be expected to result in higher prices to pharmaceutical companies, weaker incentives to improve quality of data and service, and less innovation and choice in supply of specialized pharmaceutical data services than would otherwise be the case, and lower rewards to data providers, weakening the incentives to provide data and maintain the quality of data provided. The merger may thereby be expected to have adverse effects on the efficiency and effectiveness and costs of the management and marketing of

pharmaceutical companies. As a consequence of these adverse effects on the pharmaceutical companies, the merger may also be expected to result in higher costs to the National Health Service and prices of non-prescription (referred to as over-the-counter) products, and less choice of pharmaceutical products. We do not believe the benefits of the merger are significant enough to offset the adverse effects, and we have therefore concluded that the merger may be expected to operate against the public interest.

1.6. The prospects for PMSI are, however, likely to be highly dependent on the outcome of the judicial review of prescription data services and it retains liabilities to a number of companies which gave support to the development of these services. It has moreover lost staff and management since its acquisition by IMS. We believe that a divestment of PMSI or of Source as a whole or of either of their prescription data businesses is unlikely to be as reliable or effective in this case in remedying the adverse effects identified as other measures to restore the competition that has been lost as a result of the merger.

1.7. We have therefore proposed a series of measures to encourage competition into the market and hence to remedy the adverse effects of the merger. We recommend that IMS should undertake:

- (a) to divest PMSI's former business based on wholesale data (Source Dispenser);
- (b) to license prescription data on reasonable terms to other parties;
- (c) to price all its UK specialized pharmaceutical data services according to transparent price lists and discounts;
- (d) not to sell specialized pharmaceutical data services in the UK as a package or discount to the same effect; and
- (e) not to enter into, maintain or enforce exclusive contracts with its data providers.

If satisfactory undertakings cannot be obtained within three months, PMSI's business in the UK should be divested.