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"Can You Handle the Truth?"

"Thought Leader Compensation: Establishing Fair-Market Value Procedures"

Cutting Edge Information, 2007, 280 pages, \$6,995.00

Review by Norman M. Goldfarb

"Thought Leader Compensation: Establishing Fair-Market Value Procedures" provides concrete data and best practices that pharmaceutical, biotech and medical device companies can use to set fair compensation policies for thought leaders. Fair payments are important for the usual business reasons and for regulatory compliance, which continues to gain attention from regulators. When regulators come calling, the ignorance defense becomes much less persuasive now that this report is available.

The IRS defines fair market value as "the price of a service between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having a reasonable knowledge of the relevant facts." Up to now, the catch for thought leader compensation has been the phrase "reasonable knowledge of the relevant facts." As the report demonstrates, the market price of thought leader services varies widely and somewhat unpredictably across therapeutic area, type of thought leader, and size of company.

The report includes 194 tables, charts and diagrams based on data from over 40 sources across 20 therapeutic areas in six thought leader categories (e.g., subspecialist) for seven services (e.g., delivering a scientific speech) by three sizes of companies (large, medium and small).

The data reveals numerous complexities in the market. For example, small companies tend to pay higher hourly rates than large companies, but large companies generally supplement hourly rates with per-task fees. Small companies pay more for promotional speeches while big companies pay more for scientific speeches. Some companies pay more for chairing an advisory panel, while others pay more for moderating the same panel. This report may encourage convergence in fee structures that are currently widely disparate.

Best practices include maintaining a database of payments and impact/influence value metrics, establishing a compliance office that understands both thought leader and regulatory issues, creating SOPs, and developing flexible guidelines.

Senators Chuck Grassley and Herb Kohl, despite their friendly names, have proposed federal legislation to police thought leader compensation. Although federal legislation is an unappealing prospect for industry, it is probably preferable to a thicket of state legislation in Vermont, Minnesota, Maine, Louisiana, and other states sure to follow.

The report is available at <http://www.cuttingedgeinfo.com/>

Reviewer

Norman M. Goldfarb is Managing Director of First Clinical Research LLC, a provider of clinical research best practices information, consulting and training services. Contact him at 1.650.465.0119 or ngoldfarb@firstclinical.com.