



BUSINESS

Corporate consult: The pros, cons and red flags

Investment firms often ask physicians for their medical expertise as a way to gauge the company's financial health. Here are some tips on getting involved.

By [Katherine Vogt](#), *AMNews* staff. May 23/30, 2005.

Sunil Dhawan, MD, a dermatologist, knows you don't have to be Warren Buffett to be sought after for investment guidance. He often fields calls from leading stock analysts over his lunch hour.

They seek his advice as a medical expert, hoping he can provide insights about products, treatments, the marketplace for medical conditions or anything else that might affect the health care companies they are analyzing. In return for his time and knowledge, Dr. Dhawan gets paid about \$300 to \$400 per hour.

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"You certainly cannot make a living on it unless you do it a lot. But it's a nice way to see what the investment community is looking for. They have some nice ideas. And it does give you some money," said Dr. Dhawan, who practices in

Fremont and Milpitas, Calif., the heart of Silicon Valley and the venture capital universe.

The calls typically last about 15 minutes to an hour, and Dr. Dhawan might take a couple of calls a week. He's been doing this type of work for about three years, and the more work he does, the more offers he gets.

Indeed, investment firms are increasingly calling on physicians for expert advice as they push to get the first word on the latest and greatest innovations in health care. The work they offer is attractive to some physicians as they look for extra revenue to offset declining reimbursements.

But the work has the potential to raise conflicts of interest, trapping

physicians between their ethical obligations in medicine and their public comments to investors. And that could produce a backlash at medical institutions, as evidenced by the ongoing debate over strict ethics rules recently adopted by the National Institutes of Health. For this reason, experts warn physicians engaging in such consulting relationships to use caution.

The work ranges widely in subject, with investors looking for information about everything from potential new therapies for diseases to reimbursement trends. Some might seek simple opinions about new drugs or medical devices, and some may want explanations about complex medical issues. Investors then use the information to make predictions about companies.

"Our clients have such a vast appetite for knowledge and education about the issues in health care," said Mark Gerson, chief executive of Gerson Lehrman Group, a New York-based information services company that facilitates these consulting relationships. "The only way they can attain this vast amount of knowledge is by tapping" into medical experts.

Information wanted

That desire for knowledge has increased recently as some health care sectors have come under more pressure, said Matt Fearer, senior vice president of content development at MedPanel, an online medical market research company in Cambridge, Mass.

"The answer to trying to find where the silver lining might be in the industry is to try to get better and better information," Fearer said. "One of the reasons there is growing interest from the investment community is that hunger for insight or information that is significantly predictive."

He said some physicians have more opportunity for work like this than others because their specialties or expertise is more in demand. For example, if several new blockbuster heart drugs were about to enter the market, cardiologists likely would be a hot commodity.

In many arrangements, the physicians set an hourly rate for their services. Gerson said it is often around their normal billing rate, typically about \$200 or \$300 per hour. Fearer said the most sought-after experts may charge up to \$1,200 an hour or more. Much of it depends on the physicians' specialties and whether they are leaders in their fields.

Overall, most physicians do the work on a very limited basis, Gerson said, because to be good advisers, the physicians have to be immersed in the subject. Said Fearer: "While it's nice we can offer physicians opportunities, our *raison d'etre* is not to get them to leave their practices."

The format of the work also can vary from e-mail exchanges to phone consultations or surveys. Occasionally, a physician might be asked to attend a seminar or meeting.

Often several physicians are called for the same request. Fearer said his company helps clients conduct online focus groups in which perhaps 10 experts would discuss a topic over the course of a week or two. In that format, he said, the physicians benefit from having an exchange of ideas with their peers.

"It's a nice flow for them, and also they are learning. It creates a nice information exchange for them at a professional level," he said.

Beware of conflicts

But the work can bring several potential pitfalls, including possible conflicts of interest. And because the work varies so much in subject and format, those conflicts can be difficult to foresee.

"These physicians have to do serious self-examination," said Michael Goldrich, MD, chair of the AMA Council on Ethical and Judicial Affairs. Because they are doing this work in their roles as physicians, there is a connection to medical ethics that must be respected, he said.

Along those lines, he said, physicians should stay true to science in the course of the work. "Specific to the activities they are doing, there cannot be real or perceived conflicts of interest in regard to the responses they make about science," Dr. Goldrich said.

Also, they should evaluate whether they are being reasonably compensated, in line with other similar consultants in the industry -- if they are being paid too much, that could affect their judgment, he said. But he acknowledged that it could be difficult to pinpoint figures because the work varies so much.

Dr. Goldrich also said physicians should divulge any personal or business connections they have that could raise potential conflicts of interest. "Disclosure, when there's any kind of connection, is one method to mitigate conflicts. It's not the entire solution, but it at least allows the outside listener to judge the material," he said.

Indeed, it was a perceived lack of disclosure that called into question the motives of Eric Topol, MD, a well-respected cardiologist at the Cleveland Clinic and an outspoken critic of the drug Vioxx. According to *Fortune* magazine, Dr. Topol was an adviser to a hedge fund that made money betting against Merck & Co., the maker of Vioxx.

Dr. Topol, who declined an interview request from *AMNews*, told *Fortune* he had no knowledge of the hedge fund's investments and said he had never profited from any matter related to Vioxx. He also said he

resigned from the position upon learning of the perceived conflict. But the news drew embarrassing scrutiny and illustrated the potential for such relationships to raise conflicts.

The situation might have drawn even more attention because of Dr. Topol's role as an opinion leader in his field and someone with the ability "to make his advice come true," said Howard Brody, MD, a professor at Michigan State University's Center for Ethics and Humanities in the Life Sciences and chair of the bioethics committee of the Michigan State Medical Society.

"The problem is that the people [investment firms] most want are very likely to be in a position where they could manipulate the market," Dr. Brody said.

Policies in place

Some medical institutions, including teaching hospitals and research centers, have policies restricting or setting guidelines about physicians who engage in outside consulting work.

The National Institutes of Health announced new rules in February prohibiting scientists from performing outside work for pharmaceutical and biotechnology companies, but critics have claimed the rules are too strict. At press time, there was talk of relaxing the regulations.

But Dr. Brody said many of institutional policies fall short because they are too broad. He would like to see more institutions create advisory committees to help steer physicians who are unsure of whether their relationships create conflicts.

"Ideally in our medical institutions we would have peers to turn to who we could run this by," he said. "It's helpful having advisers you can turn to who can see it from an objective point of view."

The relationships also could be scrutinized by regulators looking for improper business dealings. Four manufacturers of medical devices recently disclosed that the U.S. Attorney's Office was looking into their consulting relationships with orthopedic surgeons. All four firms said they were cooperating with the request. Prosecutors declined to discuss it.

But for all of the potential scrutiny and all of the considerations that must be made, scores of physicians continue to do this type of work, and many take pleasure doing it.

Jennifer Lucas, MD, an oncologist in Greenbrae, Calif., spends about 30 to 90 minutes a week doing these consultations, typically talking to Wall Street analysts. She likes the change of pace it adds to her day, which is otherwise spent seeing patients.

"I don't really do it for the income. I do it because I kind of have fun with it. It gives me a little variability, and it does make me be a little more on top of what I'm doing. It forces me to educate myself," Dr. Lucas said.

She got involved in consulting work about three years ago through a partner who was doing it. Now, requests for her advice have become so frequent that Dr. Lucas often has to turn down some. She suspects that she is in demand because of her work with clinical trials and experimental drugs.

Dr. Lucas set her billing rate at about \$400 per hour, which is how much she figured she would have to earn to keep her practice viable if she was not seeing patients with that time.

She is on Gerson Lehrman's panel of experts, so that's where she gets most requests. She sends the consulting firm an invoice after doing the work, and they send her a check, making the billing process fairly simple.

At times, the demands can be overwhelming, Dr. Lucas said, because it is hard to squeeze in phone conversations while she is trying to see patients. And occasionally the requests get a little too close for comfort to an ethical boundary.

"Sometimes they'll ask questions that are very patient-specific, and I don't feel comfortable divulging that information, so I decline. And I don't divulge anything that a company has told me that is confidential," she said. "It's not even a gut-check; it's pretty clear to me what can be said and what cannot be said."

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ADDITIONAL INFORMATION:

Being an expert

A primer, based on conversations with doctors and financial analysts in the field, on physicians who serve as medical experts for investment firms:

What they do: Physicians typically field questions from stock analysts about a wide variety of health care topics ranging from new drugs to standard treatment of a disease.

How they do it: Many of the consultations are done on the phone or by e-mail, though some are conducted in face-to-face meetings.

How much time they spend: It depends on how much the physician

wants to work and how many opportunities are available for his or her particular expertise.

How much they get paid: This depends on the physician's qualifications for each specific request, though many doctors set an hourly billing rate similar to what they charge in their medical practices.

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"Connecting Americans to Their Healthcare" report from the Markle Foundation and Connecting for Health, July 2004, in pdf (connectingforhealth.org/resources/wg_eis_final_report_0704.pdf)

"The Decade of Health Information Technology: Delivering Consumer-centric and Information-rich Health Care," Dept. of Health and Human Services, July 21, 2004, in pdf (www.hhs.gov/healthit/documents/hitframework.pdf)

Personal health record resource center from the American Health Information Management Assn. (www.myphr.com)

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