

Unknown

From: Forsthoefel, Tim [OMP]
Sent: Thursday, January 30, 2003 4:55 PM
To: Russell, Dale [OMP]
Subject: RE: Omnicare Update

Their "posturing" via one individual. Not truly actionable, since they can not cancel a "portion" of the contract. It's all an attempt to gain more rebates. JPI is managing correctly to-date. Tim

-----Original Message-----

From: Russell, Dale [OMP]
Sent: Thursday, January 30, 2003 4:38 PM
To: Forsthoefel, Tim [OMP]
Subject: RE: Omnicare Update

Tim,

Does all this convey that they want more discounts on Risperdal or they will harm LEVAQUIN?

-----Original Message-----

From: Forsthoefel, Tim [OMP]
Sent: Thursday, January 30, 2003 3:53 PM
To: Timko, Kimberly [OMP]; Inerra, Robert [OMP]; Smith, Brian D. [OMPUS]
Cc: Thurmond, Tracey [OMP]; Russell, Dale [OMP]
Subject: Omnicare Update

To List:

Net Take-Away: Omnicare is making "noise", but I do not feel we are at risk at this time. This should provide a potential opportunity to "revisit" their agreement with insertion of strategic clauses given growth of PDLs.

Per the voice mail/e-mails recently received from the LTCBG in the past 24 hours, we understand Omnicare is "saber rattling" on their current agreement with J&J, threatening to hold **Levaquin® "hostage"** for incremental rebates on Risperdal.

Per a meeting held this morning, the following were learned, with the associated plan of action:

Omnicare Background

- Omnicare recently negotiated a new amendment with J&J. Subsequent to their concern of loss of share with Risperdal, they requested an additional lower tier for performance payment. (45-55% MS with 11% rebate, implemented and signed/accepted by customer)
- Post their acquisition of NCS Healthcare, they realized an older agreement with NCS had a lower performance tier not currently available to them. It had been eliminated from the market.
- Omnicare viewed this as an opportunity - given their increase market presence via NCS acquisition- to leverage JPI at senior management levels.

Meeting Discussion Points

- J&J Pharma represents a large portion, 10-12% of total Omnicare purchases.
- Rebates represent approximately 60%+ of their net income model
- While they view "Levaquin® at risk for failure to cooperate", by contractual terms, they would nullify their entire J&J agreement, at substantial \$ losses
- Their contract expires mid-year 2004; with negotiations to begin 4thQ'03
- If we accept customer behavior on Risperdal/Levaquin, will this continue in other categories as well?

- Growth of Medicaid PDLs may require reallocation of investments in LTCPP
- Omnicare, much like Merck-Medco, will continue to be a "high maintenance" customer in LTC, given their market presence
- 3 scenarios to take:
 - Do Nothing (Not customer centric); "Go to War" approach, which we could win
 - Amend current agreement with slight modifications; investments not willing to be funded by JPI
 - Craft a new agreement as a customer response, incorporating current direction on Products, Investments and leverage of PDL market growth

Next Steps

- Tracey and Charles Chartier will be formulating "qualitative" analysis in support of the 3 options above, for review by senior JPI management
- General consensus on "new contract" approach --- if customer accepts, we can strategically position against PDLs; if they refuse, they default to continued acceptance of current agreement

As this further develops, we will inform.

Regards,

Tim Forsthoefel, RPh, MBA
Director, National Accounts
Ortho-McNeil Pharmaceutical

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REDACTED

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