

Unknown

From: Stocker, Bonnie [HCS]
Sent: Tuesday, June 29, 1999 9:13 AM
To: Grant, Martine [HCS]
Cc: Griffin, Sue [HCS]
Subject: RE: Omnicare 1% Strategic Overlay Payment

Martine:

Please advise if this means we can close the file on the Strategic 1% Overlay and will not be making the payment to the customer. Typically, we would advise the customer in writing if they did not meet the performance requirements, and did so with Omnicare the first time the rebate claim was reviewed. However, I assume that this will be the final decision not to pay the first year of the overlay payment.

Thank you.

Bonnie

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

From: Grant, Martine [HCS]
Sent: Friday, June 25, 1999 4:21 PM
To: Stocker, Bonnie [HCS]; Griffin, Sue [HCS]
Subject: FW: Omnicare 1% Strategic Overlay Payment

Bonnie,

It appears that I had already sent this email to you. Sue, welcome to the Omnicare 1% Strategic Overlay quagmire.

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

From: Grant, Martine [HCS]
Sent: Thursday, May 20, 1999 1:15 PM
To: Stocker, Bonnie [HCS]
Subject: FW: Omnicare 1% Strategic Overlay Payment

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

From: Grant, Martine [HCS]
Sent: Wednesday, May 19, 1999 6:19 PM
To: Feroz Siddiqi, Anwar [JANUS]; Sherrill, Denny [HCS]; Cummins, Bruce [JAN]; Butler, Dave [JAN]
Cc: Shah, Sanjay P [HCS]
Subject: Omnicare 1% Strategic Overlay Payment

Anwar,

This confirms the discussion we had today that you wanted to share with the Omnicare Account Team on the payment of Omnicare's 1% Annual Strategic Overlay. As we discussed, CMA has exhausted all potential solutions to legally pay the rebate and recommends a Fee for Service solution.

Potential Solutions

OPTION I - Legal Payment of the Rebate

OPTION II - \$300K Fee for Service

Recommendation

OPTION II is by far the cleaner solution and the only legal one (See Details Below)

OPTION I failed in that data does not support the hypotheses for legal payment suggested in Palm Springs(See Details Below)

Next Steps

You recommended an Account Team Meeting to reach closure on a solution for Omnicare [Karen Pastor will coordinate]

@@
@@@@@@

OPTION II Details

- The Account Team needs to develop creative ways that Omnicare can perform services of \$300K
- The 300K will hit the PME budget of the Brand Marketing Teams

OPTION I Details

1. The Defined market and performance tiers % for Risperdal changed

Data shows that there was an amendment to the contract for the Risperdal Defined market effective August 1, 1998, (which does not cover the period in question 2Q97 to 1Q98) and did not address the defined markets previous to that date. We can not at this point, craft an amendment to change the effective date of the defined market amendment.

2. The DACON for Risperdal was changed

Analysis shows that even with a DACON of 1.14 instead of 1.646 for Risperdal, Omnicare did not meet Tier 3 market share of 85%

3. The tier and associated market share required of Omnicare were higher than those required of Phamerica

The Second Phamerica contract amendment offered the client an Annual 1% Strategic Overlay with the same tier requirement as that outlined in the Omnicare contract

4. Omnicare grew tremendously over the first year period of the contract and so newly acquired beds diluted share

Based on data submitted by Omnicare regarding participating sites, there was 26% growth in # of beds over the first year of the contract. 99% of the 90,000 beds that were added in that period occurred in 3Q97 and Omnicare had a 90day or full quarter before submitting utilization for those new beds. Impact of those beds took effect in 4Q97. In 4Q97 and 1Q98 performance improved, so contrary to the original hypothesis, the increase in the number of beds increased performance.

5. Payment of the 1% Strategic Overlay is justified by the fact that we moved the customer to list price

The justification for moving to list price is already included in a 2% Strategic Overlay effective as of May 1, 1999.

6. Other suggestions that were made are not being considered because they are relatively weak arguments or they put us at risk for fraud and abuse:

- The fact that Omnicare sales has grown significantly and they have implemented active intervention programs is great, but we have already adequately compensated them and so going above the contract put us at risk for fraud and abuse
- The argument that Schedule D was missing from the contract is not a very strong argument by itself and agreeing to pay would set a bad business precedence on our part
- Paying for data / analysis that Omnicare does currently for us such as the Risperdal DACON analysis will set a precedence of J&J paying Omnicare for data
- Paying a one-time fee for moving to DLP will set a precedence of J&J paying Omnicare everytime there is a price increase.