

Unknown

From: Wright, Becky [HCS]
Sent: Wednesday, October 23, 2002 10:36 AM
To: Russell, Frank [JANUS]; Mareske, David [CNTUS]; Howard, Donald R. [OBI]; Forsthoefel, Tim [OMP]
Subject: FW: University Hospitals Blocking DDD Data

Please let me know your availability for a conference call on Wednesday, October 30th or Thursday, October 31st to discuss. Thanks!

Becky Wright

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

From: Thrasher, Don [HCS]
Sent: Monday, October 21, 2002 3:25 PM
To: Wright, Becky [HCS]
Subject: FW: University Hospitals Blocking DDD Data

please set-up call for distribution on Tim's message + David Mareske...next weekmidweek or later

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

From: Forsthoefel, Tim [OMP]
Sent: Monday, October 21, 2002 2:21 PM
To: Thrasher, Don [HCS]; Asbury, Valerie [HCS]; Russell, Frank [JANUS]
Cc: Coleman, Randy [CNTUS]; Hale, Mike [OMP]; Howard, Donald R. [OBI]; Cork, David [JANUS]; Danna, Mark [HCS]
Subject: RE: University Hospitals Blocking DDD Data

Don --- I believe we all share your concern in this potential market trend.

J&J Pharma, has previously gone on record, from corporate, that:

1. We must have data to support contracts - Healthcare compliance
2. We will *not* pay customers for data. We've demonstrated walk-aways previous with customers like Wal-Mart

Having stated the above, in MCO (HMO/PBMs) customer segments, LTC (e.g. Omnicare), and select acute facilities, OMP and J&J Pharma *will accept* customer data for contract compliance, with audit rights.

If we continue to see expansion of accounts with-holding their data from IMS-DDD, and they choose to participate within our contracts, then we may have to address differential discounts levels to accommodate the incremental internal processing costs. The key "pressure points" that we control are adm.fees, and price discounts. All others are controlled by our customers.

Let's get Frank, Dave Mareske, OBI, yourself, and myself to further chat about market messages and alternatives.

A key market message is that the entirety of the market data, "scrubbed" with standard processes, make this information of value. Piece meal is of limited value, and we all agree, ultimately creates costs that must be shared back to the customer.

Let's chat. Tim

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

From: Thrasher, Don [HCS]
Sent: Saturday, October 19, 2002 3:15 PM
To: Asbury, Valerie [HCS]; Forsthoefel, Tim [OMP]; Russell, Frank [JANUS]

Cc: Coleman, Randy [CNTUS]; Hale, Mike [OMP]; Howard, Donald R. [OBI], Cork, David [JANUS]; Danna, Mark [HCS]

Subject: University Hospitals Blocking DDD Data

There have been several university hospitals this year who have threatened to or actually have implemented a DDD data block. Two new ones, including the University of Pennsylvania have surfaced in the last few weeks. The Novation Account Team believes that we must establish a policy to keep this trend from continuing and even snow balling. We believe, as does Novation, unless major manufacturers stop this trend soon, that it will become widespread among university hospitals and possibly spread to not-for-profit facilities.

UHC threatened to block DDD data for all of their university teaching hospitals approximately 2 1/2 years ago. We pushed back very hard on this, and with the help of Novation, UHC backed away from this position. The hospitals argue that DDD data is used by manufacturers who do not have formulary products to promote their products. They also claim that DDD data is used inappropriately with doctors within the hospital. The bottom line is that these facilities believe that they can better control utilization if manufacturers, especially those without formulary or contract positions, do not have access to DDD data. Some hospitals offer that they will provide wholesale invoices to document market share or sales volume under performance driven contracts. They also claim that the needed sales data can be attained for contracted manufacturers from Novation with their Prism data base.

This is of concern to the Novation Account Team for the following reasons:

- 1) We will lose a reliable third party data source to accurately assess compliance in these hospitals under performance driven contracts. Wholesaler invoice information can readily be manipulated, especially for market share driven pricing.
- 2) The cost of handling wholesaler invoices or Novation Prism data to assess contract performance for these hospitals is incremental to our current costs structure.
- 3) The ability to assess representative performance for annual evaluations and variable compensation is diminished or at least more expensive.

The Novation Account Team has discussed the following policy:

- 1) There must be a third party data source that is acceptable to J&J for a hospital to assess better pricing tiers in performance driven contracts. Prism may be acceptable. Wholesaler invoices should only be accepted if the reports come directly from the wholesaler.
- 2) We should pass-on our incremental costs of doing business with such hospitals. We believe a 2-5% administration charge is appropriate for us to manually handle performance data outside of DDD for a hospital. This pass-on may be via an administration fee bill to such facilities or more likely be accrued by adjusting the hospital's price up by the 2-5%.
- 3) Incremental sales gains from very large volume hospitals insisting on blocking DDD data may offset our incremental cost of manually handling usage data. Supertanker hospitals can be handled under an exception process if they offer us incremental gains / commitment versus other facilities - as is our current practice for many contracts.

We used a similar policy approach for a hospital in Tampa concerning Centocor last week. The Centocor letter, coupled with Novation's assistance, resulted in the Director of Pharmacy withdrawing her DDD data block.

My office will be setting-up a conference call in the short future to discuss this issue and to consider establishing a J&J policy.

Don Thrasher

REDACTED

Email: dthrashe@hcsus.jnj.com

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