

Omnicare- Current Analysis & Recommendations 9/25/01

Current Situation

- ◆ OMP cliff offer of 67% for Levaquin PO share rejected by Omnicare on 9/18
- ◆ Response very strong- Dan Maloney VP, Contracting said this would force him to contact Bayer, BMS
- ◆ Dan Maloney left me VM & E-mails on 9/18, 9/21 wanting to have further discussions around Levaquin
- ◆ Phone conversation with Dan Maloney on 9/24/01. Wanted to know if we were firm on 67% and if so then he was going to contact Bayer to investigate contract potential. Said his risk/reward was too great with a 67% cliff. Claimed Omnicare has not had any contract discussions with Bayer or BMS up to this point. Said Omnicare would be willing to work with OMP/J&J on UTI targeting around Cipro. Latest Omnicare figures for July month had Cipro at 28% share
- ◆ Dan maintained that Omnicare could do nothing around the USP Clinical monograph. Claims Omnicare does not even inform vendors when there drugs are being reviewed by USP. He said the only reason Mark Lehman shared this with us in mid-July was because of the strong business relationship with J&J.
- ◆ I made it clear to Dan that Levaquin & Risperdal were linked and we had to get both of these situations resolved in order to still have an agreement with Omnicare.
- ◆ Joel Gemunder, President of Omnicare contacted David Norton, Pres. Of Janssen on Friday, Sept 18 to say that Omnicare would continue to support Risperdal.

Market Comparisons

A. Current Long Term Care Contract Matrix

Product	Product	Transition Period	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Active / Rejected
JANSSEN	DURAGESIC®		55.0%	60.0%	65.0%	70.0%		S
			2.0%	4.0%	8.0%	10.0%		
	ACIPHEX®	12 Months	<15.0%	15.0%	25.0%			S
		8.0%	0.0%	8.0%	10.0%			
	RISPERDAL®		35%	38%	>=42%			S
			6.0%	9.0%	11.0%			
Ortho McNeil Pharmaceutical	LEVAQUIN® TABLETS	3.5% transition rebate for first 6 months not tied to share	<50%	50%				S
	Available for first 12 months of contract only	If 40% share is attained in first 12 months, rebate increases to 6% for the remaining X of first 12 months	0.0%	14.0%				
	LEVAQUIN® IV		<15%	25%	40%	60%		S
			12.0%	18.0%	24.0%	36.0%		
	ULTRAM®		At / Above Baseline	10.0%	15.0%	20.0%	25.0%	S
			1.0%	2.0%	3.0%	4.0%	6.0%	
			Formulary Access					

Ortho Bio Tech	PROCRIT						
McNeil Consumer Products	All Products		No Requirement				
Ortho Dermatological	All Products		No Requirement				

- **Omnicare currently receives a 15% rebate on Levaquin PO for a share ≥ to 50%**
- **Omnicare currently operates off the old Levaquin IV matrix with < 50% at 0%, ≥ 50% to 70% equals 5%, > 70% equals 7% rebate**

B. Basic Hospital Contract Matrix

PDOT DEFINED MARKET SHARE TABLE					
Quinolone Defined Market Share	LEVAQUIN Defined Market Share	250mg IV	500mg IV	750mg IV	LEVAQUIN Tablet Discount Tiers
5.1-10%	0-5%	\$16.00	\$32.00	\$33.00	GPO Price
10.1-20%	5.1-10%	\$16.00	\$31.00	\$33.00	GPO Price
20.1-40%	10.1-15%	\$16.00	\$29.00	\$33.00	GPO Price
40.1-60%	15.1-25%	\$13.00	\$27.00	\$31.00	GPO + 1%
60.1-70%	25.1-35%	\$12.00	\$23.00	\$30.00	GPO + 2%
70.1-80%	35.1-45%	\$11.00	\$21.00	\$28.00	GPO + 3%
80.1-90%	45.1-55%	\$10.00	\$19.00	\$27.00	GPO + 4%
90.1%+	55.1%+	\$9.00	\$17.00	\$26.00	GPO + 5%

- **Must achieve a 90% share in quinolone only market to achieve a 15% TOS discount for Levaquin PO. Keep in mind the 90% is based on additive figure for IV & PO Levaquin**

C. Managed Care Contracts for Levaquin PO

1. To my knowledge we only have one Managed Care contract where we are the exclusive quinolone with the major accounts – Inter-Mountain Healthcare
2. Levaquin PO is generally in a position where we are one of two quinolones being contracted
3. For measurement purposes the National share for Levaquin PO in the quinolone market is approx. 35.9% based on 2Q '01 share – Rebate performance is calculated on # of share points above National average
4. Rebate structure is generally based on 3 to 4 point spreads and range from 10% to 18% varying per Managed Care customer.

D. Market Segments – Comparisons of Market Share & Other Facts

- Retail TRX Weekly share Shares for last 12 weeks I Quinolone Only Market thru Sept. 12, 2002
 - Levaquin** - **34.9%**
 - Floxin** - **1.7%**
 - Cipro** - **49.7%**
 - Avelox** - **4.1%**
 - Tequin** - **8.2%**

➤ **Omnicare Market share for quinolones for Month July '01**

Avelox	.3%
Cipro	28.0%
Floxin	.4%
Levaquin	69.3%
Noroxin	.7%
Tequin	1.4%

- 1) Levaquin Share in Omnicare almost double the National Retail Average
 - 2) Cipro in Omnicare is about 77% below the National Retail Average
 - 3) Tequin & Avelox in Omnicare are will below the National Retail Average
- Omnicare has grown Levaquin Share from 19.2% in 4th Quarter of '98 prior to the Levaquin Initiative to 66.4% in 2Q '01. In this same time period Cipro has gone from 80% + to the 28% range
- Comparing DDD Tab Sales in 1Q 2000 versus 1Q 2001:
LTC market Share (without Omnicare – represents approx. 33%) is showing largest share @ 36.2% up from 32.8%
Hospital at 34.3% and decline versus 35.2% for prev. year
Federal Sector show a big decline from 30.1% to 13.0%?
- Key Point- LTC market has very limited OMP Sales Force support versus the Retail, Hospital, Federal Markets
- Market Share in the LTC market for Levaquin PO is driven by Physician Authorization Letters, very important due to the fact this is a prospective intervention. Education of dispensing pharmacists in the LTC area is important.
- My opinion --- We are getting a greater ROI for our rebate dollars in the LTC sector due to limited sales activity versus other market sectors
- Omnicare is the largest Tier I LTC provider that controls about 30% of the market
- Omnicare has demonstrated the greatest control and has the highest share for Levaquin PO on any Tier I LTC Provider
- Last four quarters of sales (2Q '00-1Q'01) for OMP products = \$22,104,717
- Potential upside sales for Ultracet
- Potential upside with Ditropan XL
- We are in better position ever to drive \$ sales within Omnicare due to Senior Care Sales Force

Proposed Tier Options & Recommendations

MY belief --- Omnicare will reject a 67%, 65%, and 63% tier. They will go to Bayer to contract. Rebates have been paid over the last four quarters based on the following:

<u>2Q '00</u>	<u>3Q '00</u>	<u>4Q '00</u>	<u>1Q'01</u>
61.4%	63.1%	63.1%	66.4%

Option # 1

Keep Share Cliff @ 67% -- Believe Omnicare will reject

Option #2

Establish Share Cliff @ 65% - Believe Omnicare will reject

Option #3

Establish Share Cliff @ 63% - Believe Omnicare will reject

Option # 4

Establish Share Cliff @ 60% -- Might possibly accept – still think very questionable

Option # 5

Establish new performance tiers that minimizes our financial risk if in fact they begin to move against us but provides financial incentive for Omnicare to stay with OMP & Levaquin PO

0- 49.9%	0% rebate
50% - 55%	5% (currently paying 15% rebate)
55.1- 59.9%	8% (currently paying 15% rebate)
60- 69.9%	15% (currently paying 15 rebate)
70.0% +	16% (currently paying 15% -- this level has never been achieve, additional incentive)

You can run a number of different options varying from # 5

My recommendations would be that # 5 is the best or a variation of this followed by option #4.