Omnicare, Inc.

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Attachments

I. Executive Summary

Omnicare, Inc., is a leading pharmaceutical care company, combining the nation's largest provider of pharmacy services to long-term care facilities with one of the world's largest clinical research organizations. Omnicare serves residents in more than 950,000 beds in long-term care facilities comprising 47 states. Omnicare Clinical Research provides drug development services to pharmaceutical, biotechnology and medical device companies in 29 countries. Omnicare's corporate headquarters is in Covington, Kentucky.

Omnicare has a direct impact on the health of senior citizens. They have leveraged their pharmaceutical expertise to create unique databases and proprietary clinical information services, all focused on providing the safest, most appropriate, most cost-effective drug therapies for the elderly. Their programs and services encourage early diagnosis and treatment, since this usually provides the best quality of life at a lower cost. Omnicare provides professional pharmacy services to more than 13,000 skilled nursing facilities and assisted living communities in 47 states. Their services are focused on delivering the most appropriate pharmaceutical care at the lowest possible cost.

For the three months ended December 31, 2002, Omnicare earned 41 cents per diluted share, 64% higher than the 25 cents per diluted share earned in the comparable prior-year period. Net income for the fourth quarter of 2002 was $38.7 million, 66% above the $23.3 million earned in the same quarter of 2001. Earnings before interest, taxes, depreciation and amortization (EBITDA) totaled $86.0 million in the 2002 quarter, 24% above the $69.6 million earned in the 2001 period. Sales for the 2002 quarter reached $675.6 million, up19% from the $569.3 million recorded in the prior year period.

Results for the 2001 fourth quarter include a charge of $2.9 million pretax ($1.8 million after tax, or 2 cents per diluted share) related to the second phase of the Company's productivity and consolidation initiative completed in September 2002. Fourth quarter 2001 results also reflect goodwill amortization expense of approximately $5.2 million after taxes (or 5 cents per diluted share) that would not be included under Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," which the Company adopted effective January 1, 2002.

Excluding the impact of the accounting changes and the 2001 restructuring charge, earnings per diluted share of 41 cents for the 2002 quarter increased 28% from the 32 cents per diluted share earned in the 2001 quarter. Net income on this basis totaled $38.7 million, 28% above the $30.2 million earned in the 2001 period. Fourth quarter 2002 EBITDA of $86.0 million was 19% higher than the $72.5 million earned in the same quarter of 2001. Sales for the 2002 quarter of $670.1 million rose 19% above the $564.2 million recorded in the same period of last year.

Cash flow from operations reached an all-time record of $211.4 million for the year 2002 (excluding pre-buys of $52.3 million in the fourth quarter), 15% ahead of the $183.0 million generated in 2001 (excluding fourth quarter pre-buys of $30.0 million). After capital expenditures and cash dividends, free cash flow (excluding fourth quarter pre-buys) in 2002 was $178.3 million, 20% higher than the free cash flow of $148.4 million generated in 2001. Including fourth quarter pre-buys in both periods, cash flow from operations was $159.1 million in 2002 versus $153.1 million in 2001 and free cash flow, on this basis, was $126.0 million in 2002 versus $118.4 million in 2001.

Omnicare's institutional pharmacy business generated record revenues of $637.3 million for the fourth quarter, 20% higher than the $530.4 million reported in the comparable prior-year quarter. Operating profit in this business reached $80.1 million, 22% higher than the $65.7 million recorded in the fourth quarter of 2001. For the full year 2002, pharmacy sales reached $2,467.2 million, up 21% from the $2,033.8 reported in 2001 and operating profit was $295.0 million, 20% higher than the $246.2 million earned in 2001. At December 31, 2002, Omnicare served approximately 754,000 beds versus approximately 662,000 at December 31, 2001, an increase of 14%.

In mid-January 2003, Omnicare completed the acquisition of NCS HealthCare, Inc., the fourth largest institutional

pharmacy provider in the United States. The purchase price paid for NCS was $5.50 per share in cash and the repayment of NCS debt. The transaction had an enterprise value of approximately $460 million. Including transaction-related expenses, net of excess cash at NCS, the total purchase price was approximately $493 million.

NCS significantly expands Omnicare's presence in the long-term care pharmacy market, increasing the number of beds served by Omnicare by 26 percent to more than 950,000 and annualized revenues by 24 percent to approximately $3.3 billion. Given the anticipated realization of economies of scale and cost synergies from the acquisition, it is expected to be highly accretive to Omnicare's diluted per share earnings in 2003 and beyond.

Despite its growth trend of acquiring independent pharmacies, Omnicare has quickly taken control of its business units' purchasing functions. Omnicare has a strict corporate policy of compliance with therapeutic substitution, interchange, and dispensing of Omnicare Select products. It is through this venue that Omnicare is able to move market share of selected products.

A. Business Overview

Omnicare is traded on the New York Stock Exchange under the symbol OCR. Annual revenues are in excess of 2.6 billion dollars. In March of 2003, the stock was trading at $25.70 dollars per share after seeing lows down to $17.51 a share in 2002 based primarily on issues surrounding Medicaid reimbursement and Prospective Payment in nursing homes serviced. The 52-week range was a low of $17.51 and a high of $28.83. The stock currently is on the S&P Mid Cap 400.

B. Acquisitions

Omnicare continues to acquire pharmacies to grow their critical mass and dominate in local markets. They are likely to continue to acquire pharmacies to expand their reach and drive their market share. Once Omnicare acquires a site, it quickly implements its computer systems and formulary tools to increase the efficiency of pharmacy operations.

Their acquisition activity reached a new milestone in January 2003 with the acquisition of NCS Healthcare. This is their largest acquisition to date and places them clearly in the leadership position in the Long Term Care Pharmacy marketplace. They now serve in excess of 950,000 nursing home beds in the United States in over 13,000 facilities in 47 states. This is nearly one half of all nursing home beds in the United States.

C. Formulary/ Clinical Interventional Programs

The *Omnicare Guidelines*® is the cornerstone of Omnicare's effective management of pharmaceutical care of the elderly. The nation's first clinically based formulary tailored to the geriatric population, this comprehensive reference ranks drugs as Preferred, Acceptable or Unacceptable based solely on clinical variables applied to the elderly for specific disease states. The University of the Sciences in Philadelphia, an independent academic institution known for its expertise in geriatrics, determines the medical rankings. Cost information is also included, making it easy for a physician to choose the most cost-effective among clinically equivalent or superior drugs.

Now in its tenth edition, the *Omnicare Guidelines*® includes the evaluation of approximately 1,000 drugs in more than 200 therapeutic classes. The 2003 edition also includes two new treatment algorithms on hyperlipidemia and primary and secondary stroke prevention, new cross-class comparisons on hormone replacement therapy, migraine headaches, and skeletal muscle conditions, in addition to a new diabetes nephropathy subsection and a herbal/nutritional supplement drug interactions table.

Health care providers who comply with the *Omnicare Guidelines*® have been able to improve patient care, while achieving significant cost savings, in some cases by as much as 30%. The *Omnicare Guidelines*® is reviewed by clinicians practicing in geriatric care nationwide as well as by the American Geriatrics Society. The Society recognizes the *Omnicare Guidelines*® as "a valuable tool for guiding geriatric care in both long-term care and ambulatory settings."

Putting the *Omnicare Guidelines*® into practice

Omnicare's Formulary Management Program uses the *Omnicare Geriatric Pharmaceutical Care Guidelines*® as a tool to educate physicians on reasons to choose Preferred drugs over less effective or less cost-effective alternatives. Using therapeutic interchange protocols, the Omnicare Consultant Pharmacist can:

- help prescribers choose the best clinical therapy for each individual resident
- offer guidance on how to switch from one drug to another in the way most beneficial to the patient
- reduce the variability of prescribing, so that every resident in a skilled nursing facility receives optimal care and opportunity for payer savings

Omnicare has over 900 consultant pharmacists who review patient charts monthly and make recommendations based on the formulary and Omnicare programs for physicians. Pharmacists' recommendations are accepted more than 80% of the time. Consultant pharmacists actively meet with physicians or correspond with them through the mail to obtain approval to make appropriate medication switches for all their applicable nursing home patients. Pharmacists are also responsible for in-servicing the nursing staffs on pharmaceutical and patient care. Omnicare consultant pharmacists receive monthly "report cards" showing them their success in obtaining goals for therapeutic programs. Thus, Omnicare is able to drive market shares on certain products that increase clinical effectiveness, decrease costs to the systems in which they operate, and increase profits to Omnicare.

D. Omnicare Divisions

At the core of their geriatrics studies program is Omnicare Clinical Research's prior experience in conducting prospective clinical trials in the elderly, including studies in nursing homes and assisted-living centers. To date, their team of experts has conducted geriatric clinical trials in a variety of therapeutic areas, ranging from wound healing to depression to pneumonia to hypertension to gastrointestinal disorders. Although conducting studies in nursing homes and related facilities presents unique challenges, including the limited experience of staff with previous trials, the benefits of conducting projects in this environment, namely obtaining critical information in populations at greatest need for pharmacological intervention, far outweigh these limitations. Omnicare Clinical Research has faced these challenges and successfully overcome them.

Omnicare Clinical Research is also an industry leader is conducting retrospective studies in elderly populations. As a member of the Omnicare, Inc., the nation's leading pharmacy services provider to nursing homes, assisted-living and related facilities, Omnicare Clinical Research has access to an information warehouse on more that 650,000 patients, which combines prescription data with results contained in the federally-mandated Minimum Data Set, to provide real-time, longitudinal assessments of prescribing patterns, health outcomes, quality-of-life and pharmacoeconomic information.

Accu-Med, a division of Omnicare, is the largest clinical and financial software provider in the industry with approximately 5,000 facilities nationwide. Ten of the most prominent national Long Term Care chains use the software and services of Accu-Med, a driving force in the Long Term Care, Subacute and Assisted Living marketplace since 1984.

Omnicare Consultant Pharmacists are committed to optimizing pharmaceutical therapies for each patient to improve outcomes and reduce costs.

Pharmacists analyze care according to the recommendations of the *Omnicare Geriatric Pharmaceutical Care Guidelines*®, the gold standard formulary for prescribing to the elderly, and Omnicare's proprietary Health

Management programs. Armed with these resources, proprietary consulting software and unique Outcomes Algorithm Technology - with nearly 4,000 algorithms to help identify and remedy inappropriate drug therapy - their consultant pharmacists can enhance care by intervening to prevent under treatment, over treatment and possible drug interactions. The Omnicare Consultant Pharmacist provides the skilled nursing facility with:

- expert advice and early identification of inappropriate treatment or under treatment
- consulting efforts that can have a direct impact on the patient's quality of life and the facility's financial performance by reducing incontinence, confusion and other symptoms and by helping to minimize hospitalizations
- cost savings through implementation of the *Omnicare Guidelines®*
- full compliance with all state and federal pharmacy regulations
- regular in-service and educational programs tailored to the specific needs of residents and staff

Omnicare Consultant Pharmacists also offer assistance regarding:

- regulation, accreditation and quality improvement
- reimbursement and case mix
- continuing education programs
- financial issues
- insurance

Strengths/Leverages/Vulnerability

Strengths

- The strength of our product line in Long Term Care makes Johnson & Johnson Omnicare's leading vendor. Currently, Risperdal®, Levaquin®, Duragesic® and Ultracet® are some of their top drugs dispensed. Risperdal® is their co-preferred atypical antipsychotic for dementia. Levaquin® is the preferred quinolone antibiotic. All the other promoted J & J pharmaceuticals are Acceptable. We are hoping to improve the status of the balance of our products in 2003.
- Johnson & Johnson has a performance-based agreement in place through the first quarter 2004. We are planning to negotiate a new agreement to be in place by the second quarter 2003. This will streamline the current Master Agreement and allow for negotiation for better status for several of our strategic brands.

Leverages

- Contract Pull-Through
- Omnicare health management focus on Alzheimer's Disease
- Critical mass
- LTCPP growing customer base by servicing mental illness, developmentally disabled, and correctional facility accounts.

- ALF Market.
- NH Chains. Contracting/Disease State Initiatives.
- Expansion of LTC Group and JEC.

Vulnerability

- Multiple contracts
- Multiple therapeutic interventions
- NCS integration and NCS employee retention
- Increased competitive pressures in the form of larger sales forces, account managers, promotional monies deployed against LTC.
- Reimbursement in LTC.
- Medicaid restrictions.
- Key customers not being called on.
- State prohibiting PAL's.

II. Charter Statement

Johnson & Johnson supplies high-quality products and jointly created clinical and business programs that aid Omnicare in meeting corporate goals and objectives.

III. Customer's View of Our Industry

Customer Business Situation

Omnicare, Inc., is a leading pharmaceutical care company, combining the nation's largest provider of pharmacy services to long-term care facilities with one of the world's largest clinical research organizations. Omnicare serves residents in more than 950,000 beds in over 13,000 long-term care facilities comprising 47 states. This represents over 50% of the total Long Term Care beds in 2003. The growth of beds has been very rapid, in 1994 they only served 9% of the Long Term Care beds.

A. Organizational Structure

Board of Directors

Edward L. Hutton
Chairman of Omnicare, Inc.;
Chairman of Chemed Corporation

Joel F. Gemunder
President and Chief Executive Officer of Omnicare, Inc.

Timothy E. Bien, R.Ph., FASCP*
Senior Vice President - Professional Services and Purchasing of Omnicare, Inc.

Charles H. Erhart, Jr.
Former President of W.R. Grace & Co. (retired)

David W. Froesel, Jr.
Senior Vice President and Chief Financial Officer of Omnicare, Inc.

Cheryl D. Hodges
Senior Vice President and Secretary of Omnicare, Inc.

Patrick E. Keefe
Executive Vice President - Operations of Omnicare, Inc.

Sandra E. Laney
Executive Vice President and Chief Administrative Officer of Chemed Corporation

Andrea R. Lindell, DNSc, RN
Dean and Professor in the College of Nursing and Associate Senior Vice President for Interdisciplinary Education Programs/Medical Center
University of Cincinnati

Sheldon Margen, M.D.
Professor Emeritus in the School of Public Health
University of California, Berkeley

Kevin J. McNamara
President and Chief Executive Officer of Chemed Corporation

John H. Timoney
Former Senior Vice President of Applied Bioscience International, Inc. (retired)

Corporate Officers

Edward L. Hutton
Chairman

Joel F. Gemunder
President and Chief Executive Officer

Patrick E. Keefe
Executive Vice President – Operations

Timothy E. Bien, R.Ph., FASCP*
Senior Vice President – Professional Services and Purchasing

Jack M. Clark, Jr.
Senior Vice President – Sales and Marketing

David W. Froesel, Jr.
Senior Vice President and Chief Financial Officer

Cheryl D. Hodges
Senior Vice President and Secretary

Bradley S. Abbott
Vice President and Controller

Robert E. Dries
Vice President – Internal Audit

W. Gary Erwin, Pharm.D., FASCP*
Vice President – Health Systems Programs and
President – Omnicare Senior Health Outcomes

Tracy Finn
Vice President – Strategic Planning and Development

Thomas L. Jordan
Vice President and President of Respiratory Care Resources

D. Michael Laney
Vice President – Management Information Systems

Peter Laterza
Vice President and General Counsel

Thomas W. Ludeke
Vice President and President of Accu-Med Services, Inc.

Daniel J. Maloney, R.Ph.
Vice President - Purchasing

Thomas R. Marsh
Vice President – Financial Services and Treasurer

David Morra
Vice President and Chief Executive Officer of Omnicare Clinical Research

Regis T. Robbins
Vice President – Analysis and Controls

Timothy L. Vordenbaumen, Sr., R.Ph.
Vice President - Government Affairs

William A. Fitzpatrick, R.Ph.,
Corporate Compliance Officer

Operating Management

Omnicare Senior Pharmacy Services

Vice Presidents - Pharmacy Operations Group

James E. Cialdini

Denis R. Holmes

Mark E. Sechrist

Lisa R. Welford

Senior Regional Vice Presidents - Pharmacy Operations

Gary W. Kadlec, R.Ph., FASCP*
Great Lakes/Great Plains Regions

Jeffrey M. Stamps, R.Ph., FASCP*
Eastern Region

Regional Vice Presidents - Pharmacy Operations

Michael J. Arnold, R.Ph.
South Central Region

Joseph L. Dupuy, R.Ph., FASCP*
Southern Region

A. Samuel Enloe, R.Ph.
Midwest/Gateway Region

Thomas A. Schleigh, Jr., R.Ph.
Southwest Region

Rolf K. Schrader, R.Ph., FASCP*
Northern/Central Ohio

Omnicare Clinical Research

David Morra
Chief Executive Officer

Dale B. Evans, Ph.D.
President - Global Business Development

Benoit Martin
President - International

Leonard F. Stigliano
President - Global Operations

Omnicare Senior Health Outcomes

W. Gary Erwin, Pharm.D., FASCP*
President

Data Management Group

Thomas W. Ludeke
President, Accu-Med Services, Inc.

The President of Omnicare, Inc. is Joel Gemunder. Reporting to Joel are:

Patrick Keefe, Executive Vice President of Operations. Pat has overall responsibility for the operations of Omnicare and all regional facilities. Reporting to Pat are eight regional vice presidents and all other corporate vice presidents. One of the vice presidents reporting to Pat is Dennis Holmes, Vice President - Operations Group. He oversees all Heartland operations to include the repackaging facility.

Cheryl Hodges, Senior Vice President of Investor Relations. Cheryl's responsibilities include all dealings with financial institutions to include Wall Street, all corporate relations, and shareholder relations.

Tim Bien RPh, Senior Vice President of Purchasing and Professional Services. Tim oversees all purchasing and contractual agreements. Dan Maloney, Director of Purchasing, reports directly to Tim. Lisa Welford, PharmD, and Gary Erwin, PharmD report to Tim and handle all clinical matters as Directors of Clinical Services.

Dan Maloney, Vice President of Purchasing, has responsibility for organizing the contractual and purchasing agreements that Omnicare has with various manufacturers and all purchasing functions. Each of the Omnicare regions is in the process of hiring a regional purchasing manager, who will report to Dan.

Lisa Welford, Vice President of Clinical Services, has responsibilities for the coordination of the formulary, disease state management programs, and other clinical intervention programs. Lisa heads three committees within Omnicare: the PSC Formulary Champions, the Professional Services Committee, and the National P&T Committee. The PSC Formulary Champions, which is a group of one consultant from each location, are charged with assisting the consultants at their regional location in achieving compliance of the formulary and intervention programs in the homes they service. The PSC Formulary Champions receive "report cards" on each pharmacist to gauge their success. The Professional Services Committee, comprised of 15 pharmacists, is responsible for the creation and implementation policy and procedures from a clinical and operational perspective. Lisa also heads the National P&T Committee, made up of three physicians, three directors of nursing, three pharmacists, and a representative from the Philadelphia College of Pharmacy.

W. Gary Erwin President Senior Health Outcomes Gary's responsibilities will be to work with managed care organizations, employer groups and insurers to position Omnicare as the provider for their geriatric care. In addition, Gary will be involved with the Coromed acquisition.

David Froesel, Senior Vice President and Chief Financial Officer. David is in charge of all operating financial data.

Regional Clinical Directors

Reporting to Lisa Welford are the following seven Regional Clinical Directors:

Regional Clinical Director	**State Responsibilities**
Alan Bell	California Colorado, Idaho, Montana, Oregon, Utah, Washington
Karen Burton	Connecticut, Massachusetts, Maine, New Hampshire, New York, Rhode Island, Vermont
Joseph Gruber	Illinois, Missouri, Wisconsin
Susan Klem	Iowa, Northern Ohio, Michigan,

	Minnesota, Nebraska, South Dakota
Alan Mason	Arkansas, Arizona, Kansas, Louisiana, New Mexico, Oklahoma, Texas
Terry O'Shea	Indiana, Kentucky, Southern Ohio, Maryland, Pennsylvania, Tennessee, Virginia, West Virginia
Bob Warnock	Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina

Clinical Team

Kelly Hollenack – Director of Health Management Programs

Best Practices Committee

Kelly Hollenack
Lisa Welford
Mike Lutz
Terry O'Shea
Janet Steiger

Omnicare P&T Committee Member Overview

Eric Tangalos, MD CMD – Chairman
Chair, Division of Community Internal Medicine – Mayo Clinic
Former president of AMDA, currently on the Alzheimer's Association Board and very prominent on a national level on issues relating to aging and geriatrics; uses Aricept as first line solely on once daily dosing;

W. Gary Erwin, Pharm.D. – Interim Secretary
President Omnicare senior Health Outcomes – responsible for the ambulatory elderly clinical program in the employer retiree group population AND for database studies based on Omnicare's data repository of pharmacy claims and the Minimum Data Set;

Kerry Cranmer, MD, CMD
Currently the treasurer of AMDA and one of the largest medical directors in all of Oklahoma covering lots of facilities and patients;

Joseph Ouslander MD
Emory University
Past president of AGS and well published, academic geriatrician; lots of research experience and publications so I anticipate being interested in finer research points; expertise in urinary incontinence and historically NOT a Ditropan XL fan;

Gregg Warshaw, MD
Past president of AGS and another academic geriatrician, based in Cincinnati; historically skeptical of

using cholinesterase inhibitors in nursing home residents; current editor of Annals of Long Term Care, an AGS publication;

Shirley Travis Ph.D. RN CS
Academically based nurse at the University of North Carolina-Charlotte with a research background in outcomes;

Janice Steiger, RPh. FASCP
The consultant coordinator at Interlock Pharmacy Systems, a large Omnicare pharmacy servicing about 15,000 beds in the St. Louis area, and still does active consulting in nursing homes;

Cathy Dragon ,Pharm.D.
An ex-officio member of the P&T; The primary editor of the Omnicare formulary, she works at the University of the Sciences in Philadelphia and is responsible for updating the entire formulary each year, plus adding new categories identified by Omnicare. From a formulary standpoint the most important person in the room!

Buzz Baker, MD
Johns Hopkins

Deb Saliba, MD
UCLA

Terry O'Shea Pharm.D.

Barbara Resnick, RN, PhD – Baltimore – Howard Bradley said strong supporter of J&J.

GUESTS:

Lisa Welford, R.Ph. FASCP
Omnicare's Director of Clinical Operations, she is responsible for driving all of Omnicare's clinical programs to getting results. She will be trying to garner information she can use to get physicians to adopt cholinesterase inhibitors in LTC facilities;

B. P&L Performance

For the full year 2002, pharmacy sales reached $2,467.2 million, up 21% from the $2,033.8 reported in 2001 and operating profit was $295.0 million, 20% higher than the $246.2 million earned in 2001. At December 31, 2002, Omnicare served approximately 754,000 beds versus approximately 662,000 at December 31, 2001, an increase of 14%.

In mid-January 2003, Omnicare completed the acquisition of NCS HealthCare, Inc., the fourth largest institutional pharmacy provider in the United States. NCS significantly expands Omnicare's presence in the long-term care pharmacy market, increasing the number of beds served by Omnicare by 26 percent to more than 950,000 and annualized revenues by 24 percent to approximately $3.3 billion.

C. Market Forces

Omnicare has invested its resources in positioning itself for the future of the post-acute market. The company's investment in acquisitions, formulary management, managed care, information systems, and disease and outcomes management is a portion of why Omnicare feels it will be successful in the future. The above areas are discussed in detail below.

1.Consolidation

The Long Term Care Pharmacy provider market will continue to consolidate. It will be likely that Omnicare will continue to pursue additional pharmacies. I believe they will be attracted to the larger national providers and a few select independent pharmacies to fill gaps in their geographic coverage nationally. In addition, while Omnicare grows in large pieces, the other Tier One providers remaining will have to grow in order to remain competitive. This will make for an interesting climate in the Long Term Care marketplace over the next 12-18 months. When Omnicare acquires pharmacies, the previous owner and/or upper level manager agrees to stay for at least 3 years to keep continuity with the staff and customers. The company is proud of its track record in past-owner retention, as over 95% of past owners stay past the 3-year commitment despite having sold the pharmacy for millions of dollars.

Once acquired, Omnicare moves to increase operating efficiencies by consolidating functions related to purchasing, formulary compliance and therapeutic intervention programs, medical records, dispensing, marketing, and professional services. The company believes the other functions of the pharmacy should be maintained as they were as an independent pharmacy because these are the things that made the pharmacy successful in its particular market. Therefore, the practices of each Omnicare pharmacy, in many ways, are very different. For example, Westhaven Pharmacy Services, now Omnicare Perrysburg, a pharmacy servicing 20,000 beds out of Toledo, Ohio, has a philosophy whereby it sends three people into every nursing home: a consultant pharmacist, a quality control representative, and a customer relations representative. The feeling is that this frees up more of the consultants' time. No other Omnicare pharmacy operates in this manner.

Omnicare's growth strategy has allowed the company to generate economies of scale and streamline operations in order to fund development and expansion of innovative services—designed to improve care for the elderly on a cost-effective basis.

A large contributor to the pharmacy efficiency is Omnicare's arrangement with Heartland Healthcare Services. In late 1994, Omnicare entered into a 50-50 agreement with Heartland Healthcare Services. This venture is to use Heartland's high-volume repackaging facility in Toledo, Ohio to provide greater efficiencies and substantially reduce costs in repackaging pharmaceuticals for nursing homes. Cost of repackaging at the regional facilities is approximately 80 cents per package. Cost associated in repackaging at Heartland is approximately 20 cents per package. The company is currently repackaging generic drugs and the top 20 branded drugs used in the system.

Omnicare's goal was to repackage 80% of all pharmaceuticals at these facilities in 2002. This would further reduce costs associated with repackaging. The company's goal is to be able to make larger runs and send more packages to regional facilities at one time. In order to accomplish this, the company will need to increase dating on repackaging by completing stability studies on the new packaging. Omnicare has turned to the manufacturers for help in this area. Currently, Risperdal®, and Levaquin® are being repackaged at Heartland. With the acquisition of NCS, this also provides Omnicare with another repackaging which goes by the name Vanguard in Glasgo, KY. Since 2001 Vanguard has repackaged both Risperdal and Zyprexa. Omnicare intends to use both facilities at least initially until it can make an accurate determination of what the most efficient repackaging configuration would be. The Vanguard site packages only in a 31 day bingo card. This bingo card is different than the one produced at Heartland. They will be evaluating whether or not there is a need for both types.

After successful acquisitions and standardization of the above functions, Omnicare set out to grow the number of beds served at the regional sites and increase efficiency of pharmacy operations.

Omnicare is also looking to acquire other types of facilities outside of LTC pharmacies. The company feels there will be only so many viable LTC pharmacies to acquire. The company is looking at other businesses to expand the breadth of its services in healthcare.

2.Formulary Management and Clinical Interventions

Omnicare subscribes to the theory that pharmaceutical therapy remains the most cost-effective means of treating the chronic ailments that affect the elderly. Yet simply reducing the cost of pharmaceuticals is not the answer to improving the nation's healthcare system. Omnicare believes that weighing the clinical effectiveness of drug therapy, not just its cost, will ultimately lower healthcare costs and provide better medicine for the elderly. Thus, Omnicare developed the nation's first clinically based drug formulary tailored to the unique needs of the geriatric patient. It enhances the ability of physicians and other healthcare professionals practicing in long-term care facilities to provide superior care to the elderly while reducing costs.

In 1993, Omnicare began to work with a highly respected and independent academic institution, the University of Sciences in Philadelphia (USP), now named Advanced Concepts, noted for its expertise in long-term care. Disease states and therapeutic drug classes that have the greatest impact on geriatric medicine and long-term care, as well as cost impact on the healthcare system, are selected. The mission of this program has been to create a disease-specific, clinically sound reference for drug selection, taking into account the unique needs of the elderly in nursing facilities. "Geriatric Pharmaceutical Care Guidelines" is updated annually and contains clinical reviews of more than 100 therapeutic drug classes and over 600 individual drugs.

All drugs are organized by disease state and therapeutic class used to treat that disease. The clinical evaluations and ratings of each drug are performed by USP. Within its therapeutic class, each medication is classified as "Preferred," "Acceptable," or "Unacceptable" based on the drug's effectiveness. Effectiveness is determined based on age-specific variables, interactions with other drugs and food, safety, toxicity, drug administration, other nursing facility considerations, and resulting quality of life.

The criteria used for these clinical rankings are:

PREFERRED: Drugs that have documented, distinguishing positive effects or outcomes compared with other drugs in the therapeutic class, lower potential prevalence of adverse drug reactions, or some unique characteristic that provides a clear clinical advantage in the nursing facility resident population.
ACCEPTABLE: Drugs that have comparable efficacy and safety with minimal distinguishing characteristics (e.g., therapeutic outcome, functional improvement) in the nursing facility resident population.
UNACCEPTABLE: Drugs with greater prevalence or severity of adverse reactions or lack of documented therapeutic efficacy versus other drugs when used in the nursing facility population.
The Preferred, Acceptable, or Unacceptable rating is the view of PCPS clinically in geriatrics per disease state and does not necessarily indicate the drug preferred by Omnicare.

Following the clinical review by USP, every Preferred or Acceptable drug is assigned a dollar symbol, ranging from one to seven dollar signs, representing the drug's relative cost within its therapeutic class by Omnicare's Formulary Champions. The dollar signs are reflective not of contract price to Omnicare, but the end cost to the payer based on a 30-day prescription.

Of clinical relevance to Johnson & Johnson are the following drug categories: Behavioral Disturbances Associated with Dementia, Chronic Pain (non-malignant), GERD, Respiratory Tract Infections, and Urinary Tract Infections.

Risperdal® is rated as a Preferred drug in the category Behavioral Disturbances Associated with Dementia. Risperdal® is currently the number two drug in dollars prescribed in the Omnicare system, representing in excess of $110 million. Risperdal® has been assigned six dollar symbols, more than any other antipsychotic. Clozaril® is rated Unacceptable. Zyprexa is Preferred® and Seroquel is Acceptable. Risperdal® share in the fourth quarter of 2002 was 48.0%.

The category Chronic Pain (non-malignant) was added in the 1997 formulary update. Omnicare is looking at further review of pain, separating different types of pain in the future, and further defining the class as three classes: Acute Pain, Chronic Malignant Pain, and Chronic Non-Malignant Pain. Both Ultracet® and Duragesic® are rated Acceptable in this category. They each have six dollar symbols. This class rates acetaminophen and salicylates (non-acetylated) Preferable. All of the NSAIDS and opioids are also rated in this class. Omnicare rated Darvocet® as Unacceptable and has expressed an interest in moving pharmacists from allowing this to be dispensed in the nursing homes. Consultants can lose up to 30% of their total points on monthly "report cards" based on excessive propoxyphene use. Omnicare nationally dispenses 12 million units of Darvocet® per year.

In the Hospital –Acquired, Nursing Home Acquired Pneumonia section Levaquin is "Preferred". It is acceptable in the Nursing Home Acquired Pneumonia and Upper and Lower Respiratory sections of the formulary. Omnicare is running a prospective intervention aimed at Cipro and UTI's.

Omnicare currently has nearly 1000 clinical pharmacists that meet regularly with physicians and medical directors to review each resident's progress and drug regimen. By choosing a product with fewer dollar signs in the Preferred or Acceptable class, a physician can provide cost-effective therapy with the best possible clinical outcome. Omnicare has 18 active Patient Specific Therapeutic Interchange Programs in effect. . The consultant pharmacists are active in having physicians sign therapeutic interchange forms that allow pharmacists to review charts and make switches without having to consult with the physician. Consultants receive report cards from Omnicare showing their success with Omnicare Select Products and share data on drugs in active therapeutic programs or part of disease state management programs. The PSC Formulary Champions work with the consultants to achieve Omnicare goals on specific drugs. Omnicare states that this effort has helped the company lower the cost of pharmaceutical care to the elderly by approximately 16%. New therapeutic classes will be selected on an annual basis.

When analyzing market share and formulary status, clinically and economically, there does not seem to be a direct correlation between the clinical rating (Preferred or Acceptable), dollar rating ($-$$$$$$), and market share.

Omnicare is able to drive share on multisource products by utilizing the Toledo Heartland facility as a wholesaler and only stocking the one preferred generic.

3. Managed Care/ Information Systems/ Disease State Management/Prospective Payment

The long-term care pharmacy is facing a changing environment as Medicaid and Medicare managed care becomes more of a reality. Omnicare needs to position itself as a provider of information concerning quality and cost-effective outcomes in the post-acute care market. Also, Omnicare's consultants need to become more of a resource both educationally and operationally in the nursing homes. Omnicare is positioned to meet the challenges of managed care. The company's clinically based formulary takes on a greater strategic significance and forms the basis for its role as a pharmaceutical benefit manager for the geriatric population. It also serves as the nucleus of Omnicare's entry into disease and outcomes management.

Toward this goal, Omnicare is integrating information systems to be a more comprehensive provider of geriatric therapies. The company acquired Dynatran Computer Systems, a Portland, Oregon, based software developer, in late 1995. This system provides assessment systems to nursing homes, and incorporates data on patient diagnosis, treatment plans, and health outcomes for each resident.

Omnicare's OSCAR2 system is a consultant system that links all 1000 clinical pharmacists with a database of clinical information. The newest addition to the information system is the Oasis. This system will be placed in all regional pharmacies to computerize medical records, dispensing, and billing.

Omnicare currently has the Oasis system running in three pharmacies. PRN in Indianapolis was the first. When Oasis is active in all pharmacies, the company plans to link all three systems together to have a comprehensive system to generate valuable outcomes data to payers and pharmaceutical manufacturers.

In January 1997, Omnicare acquired the international contract research organization Coromed. Coromed provides comprehensive clinical drug development and research services to the pharmaceutical, biotechnical, and medical device industries. Omnicare feels this acquisition will provide a unique opportunity to utilize Coromed expertise in information and data management and will facilitate Omnicare's initiatives in disease state and outcomes by enabling the consolidation and analysis of healthcare data on more than 900,000 elderly residents served by Omnicare.

Omnicare's strategy has produced strong growth and positioned this company to meet the challenges ahead as the long-term care industry moves toward managed care and other models of cost control. In the pharmacy services area they are working hard to determine the best way to maximize the opportunities represented by the State Preferred Drug Lists that are being considered in at least 30 states. In addition, they are working with the state Medicaid departments to ensure the unique needs of the Long Term Care market are considered when making drug selections for the PDLs. To remain competitive as it grows in size and in involvement in managed care, Omnicare has expressed interests in resources to help train internal employees on marketing skills, total quality management and continuous quality improvement processes, tools to measure performance and report results, risk assessment tools to address capitation/Medicaid risk contracts, and assistance in achieving JCAHO accreditation for all of the company's pharmacy sites.

Rescot Systems Group

Much of NCS HealthCare's core strength stems from its command of an information infrastructure. They are building one company, one purchasing effort, one clinical effort, one national distribution network and one central pharmaceutical data warehouse. Their unified information system contributes toward this goal.

In January 1997, NCS acquired Rescot Systems Group. Rescot, a software company located in Philadelphia, PA, provides information systems to a number of it's own long-term care institutional pharmacies across the nation. They currently service approximately 50% of the pharmacies in the entire long-term care market. This acquisition has allowed them to collect a rather large database of physician, pharmacy, and skilled nursing facility prescribing information in the long-term care market of which they market through Program Services Group, a separate division of NCS HealthCare.

IV. Situation Appraisal/Our View

Team Evaluation of the Account (Scale from 1:Worst to 10:Best)	***JPI***
Its sales trend (2-3 years out)(In their own market)	10
Its growth vs. our strengths	9
How coachable its people are	7
How much we enjoy working with the account	8
Showcase/referral source for us	10
Recent trends of orders	9
How much it helps us (Give & take or all take, no give)	6
TOTAL	59

Comparative Analysis - Identify the Three Most Important Facts About Account's Appraisal of the Situation

1. Success at Omnicare is critical to the success in the Long Term Care Group at J&J.
2. While contracts are made at the corporate level, the real pull through of this contract needs to occur at the local regional level.
3. We must work hard to continue to develop our relationship with Omnicare such that they view us as a strong partner with whom they want to work to drive share growth across all strategic brands.

V. Situation Appraisal Summary

A. Strengths

Omnicare now has the critical mass and looks to now be the dominant player in the market. They will continue to grow and become an even more dominant force. They purchase more dollars in J&J products than any other pharmaceutical manufacturer. The diversity and breadth of J&J positions us to be a resource to Omnicare beyond the portfolio of products we represent. We have the resources to contribute to Omnicare's organizational and business issues; for example, our expertise in marketing, sales training, risk assessment reimbursement, and performance measurement. The Long Term Care Group has a signed performance driven contract in place until the end of March, 2004. We will be working to negotiate a new agreement to be in place by the end of the second quarter 2003. The current contract includes rebate opportunities or other discounts on Risperdal®, Reminyl®, Duragesic®, Levaquin®, Ultracet®, Ditropan XL®, Aciphex® and Procrit®.

B. Opportunities

The recent acquisition of NCS represents a tremendous opportunity for growth. This places Omnicare at over 950,000 beds served. With the implementation of Omnicare's formulary management, repackaging efficiency and strong consultant interventions, they should be able to get the NCS pharmacies on board with the Omnicare programs in a relatively short period of time. This will fuel the grow of our strategic brands since Omnicare is supportive of the majority. We have an outstanding opportunity to obtain a advantaged status for both Reminyl® and Ditropan XL®. The web based training initiative should provide the focus we need on Reminyl® and our contracting opportunity should provide for a strong platform for growth at Omnicare. In regard to Risperdal®, with the pilot of the MR/DD and MI initiatives we should see a nice increase in the market share. We have the opportunity to take an already high Duragesic® share even higher with it gaining preferred status in several states on their PDL. Ultracet® remains a tremendous opportunity versus propoxyphene with its better safety profile and non scheduled status. We have the opportunity to manage the entire spectrum of pain in the elderly with our product line. This needs to be leveraged to our advantage in 2003 since pain management is one of the quality measures, it is getting a lot of attention at the skilled nursing facility level.

C. Trends

As mentioned previously, consolidation and acquisitions in the long term care market will continue. It is likely that the market will evolve into two tier one players and the independent pharmacy providers. The expansion of services into the assisted living area represents a new opportunity since these facilities are requesting many of the same services as a skilled facility. Movement of payers from private insurance, fee for service, and government to managed care; this trend results in the need for pharmacies to become a source of information, as well as a source of pharmaceuticals, leading to:

—Increased need for information systems

—Increased need for ability to gather outcomes data

As pharmacies become large corporations made up of smaller regional pharmacies, their needs to acquire skills in marketing, management, training, etc. is increasing.

The requirements on consultant pharmacists continue to increase which decreases their time to implement new interventions.

D. Vulnerability

This account is the largest in the Long Term Care Group. It now controls over 50% of the market and is likely to grow larger. We need to ensure we maintain a strong positive relationship on both contracting and clinical issues while maintaining a profitable contracting status with Omnicare. The antipsychotic market is highly competitive. The Oral Dissolving Tablet formulation of Risperdal® must be successful for us to continue the growth of the brand. We must also obtain an advantaged status for Reminyl® to help fuel the brand growth. Since Omnicare is receiving more and more rebate dollars from more and more manufacturers, we must ensure we maintain as favorable and mutually beneficial a relationship as is possible. Only then will we be able to fully realize the potential this customer offers.

E. Key Players

Sponsors / Strategic Coaches
Tim Bien RPh, Senior Vice President of Purchasing and Professional Services
Dan Maloney, Vice President of Purchasing.
Lisa Welford, PharmD, Vice President of Clinical Services
Cathy Dragon, Director of Program Development, Philadelphia College of Pharmacy and Science.
Seven Regional Directors of Clinical Services.
Ten Regional Vice Presidents.
Kelly Hollenack, Director of Health Management Programs
Best Practices Committee
P&T Committee

Antisponsors: None Identified

VI. LAMP Matrix

Strengths Vulnerability	Opportunities	Trends	Key Players	Possible Goals
Strength: Contracts Dollar Potential Risperdal®	Risperdal® growth 1. Dementia 2. MI Initiative 3. MR/DD Initiative	1. Continued acquisition of pharmacies. (Growth). 2. Movement of payers to managed Medicaid or Medicare, Prospective Payment System. 3. Movement into Assisted Care Living and Home Health Care fields.	1. Tim Bien, RPh, VP Purchasing and Professional Services 2. Dan Maloney, Director of Purchasing 3. Lisa Welford, RPh 4. RCD's 5. Kelly Hollenack	1. Successfully execute MI & MR/DD pilots in Chicago 2.Launch similar intervention at other disproportionate share branches. 3. Ris – Solo preferred/select on formulary
Strength: Breadth of J&J Resources / Product Line	1. Risperdal® share. 2.Aceytlcholinestera se Inhibitor Initiative 3. Incontinence Initiative 4. Anti - Infective Initiative.	1. Continued acquisition of pharmacies. (Growth) 2. Movement of payers to managed Medicaid or Medicare, Prospective Payment System. 3. Movement into Assisted Care Living and Home Health Care fields.	1. Tim Bien, RPh, VP Purchasing and Professional Services 2. Dan Maloney, Director of Purchasing 3. Gary Irwin, RPh Chief Clinical officer 4. Lisa Welford, RPh 5. RCD's 6. Kelly Hollenack	1. Partner to assist with reimbursement issues utilizing JPI reimbursement managers and JJHCS government affairs directors 2. Pull-through and/or influence state PDL's 3. Assist with JACHO accreditation
Strength: Health management focus on treatment of AD with acetycholinestera se inhibitors	1. Strong Reminyl® MS growth trends. 2. AD Web Base Training 3. Poor relationship between Omni and Pfizer 4. Strong relationship between Omni & J&J	1. Physicians DC therapy when place in NH 2. Physicians do not see benefits in initiating therapy in NH patients 3. State PDL's and MCO's formularies for class	1. Lisa Welford, RPh 2. RCD's. 3. USP 4. Dan Maloney – for contract 5. Consultant Pharmacists 6. Kelly Hollenack	1. AD Web base training 2. Performance base contract with Reminyl 3. Reminyl select on formulary. 4. Reminyl one of the focus health management initiatives

Large Account Management Process

Vulnerability: Loss of Sales; Zyprexa® Threat to Risperdal®	1. Risperdal® MS growth. 2. Zyprexa diabetes concerns. 3. Zyprexa weight gain concerns. 4. Litigation issues with Zyprexa. 5. Poor relationship between Lilly & Omnicare. 5. Strong relationship J&J	1. Purchase of pharmacies 2. Movement of payers to managed Medicaid or Medicare, Prospective Payment System. 3. Movement into Assisted Care Living and Home Health Care fields. 4. State PDL's	1. Lisa Welford, RPh 2. RCD's. 3. USP 4. Dan Maloney – for contract 5. Consultant Pharmacists 6. Kelly Hollenack	1. Successfully execute MI & MR/DD pilots in Chicago 2.Launch similar intervention at other disproportionate share branches. 3. Ris – Solo preferred/select on formulary 4. Clinical pres: Risperdal vs Zyp.

VII. Putting It All Together

Charter Statement

J&J supplies high-quality products and jointly created clinical and business programs to Omnicare that aid Omnicare in achieving corporate goals and objectives.

Four Best Opportunities

Focus efforts in generating Risperdal® share through educational and promotional programs targeting conventional & atypical antipsychotics. Expand business opportunities through pulling through Risperdal business in geriatrics, mental illness, and DD.

Capitalize on Omnicare clinical initiative to increase product use of acetylcholinesterase inhibitors by pulling through Reminyl.

Continue to execute Levaquin® intervention quinolone program.

Drive strategic product utilization in states where respective product is preferred on PDL.

Three Best Goals

Become Omnicare's resource for pain, behavior management, Alzheimer's Disease and anti-infective therapy through clinical expertise, clinical interventional tools appropriate to LTC, outcomes data, and value-added services.
Partner to assist with reimbursement Medicaid/Medicare/Prospective Payment issues utilizing reimbursement managers and JJHCS government affairs directors.
Obtain or maintain market share leadership position for all strategic products within defined market basket.

Primary Revenue Target

Omnicare will purchase $250 million from the J&J Pharmaceutical Group.

Single Best Opportunity

Risperdal® preferred status on Omnicare's Geriatric Guidelines. To continue this formulary status and to implement Risperdal® PSTI program at all regional sites. Risperdal is the largest dollar potential of all J&J strategic brands.

Focus Investment *(Resources Needed)*

APS educational programs (CE & Promotional) geared to the LTC patient population.
APS educational programs (CE & Promotional) geared to the MI & MR/DD population.
Continued funding for Levaquin® interventional program.
Omnicare CRO research projects.
ElderCare and CNS deployment and training against identified mental illness and MR/DD facilities and respective attending physicians.
Web Base training to access and educate consultant pharmacy staff related to our strategic products/disease states.
Partnering to support their drive to increase use of acetylcholinesterase inhibitors.

VIII ACTION PLAN

General Action Plans	Timing	Responsibility
Meet with Lisa Welford. Discuss/Identify clinical priorities and partnership opportunities for 2003.	03/03	Matt
Internal meeting of Omnicare Corporate Team. Develop action plans around each strategic product, and top 10 Omnicare accounts for each market basket.	03/03	Matt Blaine Chuck Bruce
Develop 2003 LAMP	1Q 03	Matt Chuck
Conference Call with Omnicare Team to discuss 2003 G&O's & Action Plans • Quarterly CC: Account update and progress report relating to G&O's & Best Practices. • Capture Regional and Branch CAP Plans. • Review CAP's with Lisa Welford	04/03 Quarter	Omnicare Team Matt
Omnicare/J&J LTCG business planning meeting. Develop a business plan in partnership with the following RCD's: • Alan Mason • Terry O'Shea • Karen Burton • Susan Klem • Joseph Gruber • Alan Bell • Bob Warnock	1Q 03	 John K Blaine M Tom Z Chuck C Bruce C Dean M Howard B
Consistent communication as it relates to Omnicare clinical activities with internal & external team/customers.	Ongoing	Matt Chuck
Lisa Welford – Monthly phone conversations. Quarterly meetings.		Matt
RCD – Weekly phone conversations. Quarterly meetings.		Omnicare Team
Update Omnicare LAMP and business plan after NCS transition is complete	2Q 03	Matt Chuck
Monitor implementation and execution of business plans that are developed by Omnicare Internal Team listed on CAP plans.	Ongoing	Matt
Identify top 10 accounts for each strategic market basket based on 12 month total prescription market average.	1Q03	Chuck
Clinical Education at NCS Regional integration meetings.	1&2 Q03	Omni Team
Identify all members of "Best Practices Committee" and ensure LTCBM/JEC coverage	2Q03	Matt
Ensure JEC coverage of all P&T members	2Q03	Matt
Determine status of NCS Rescot program	2Q03	Chuck

-

Risperdal Action Plans	Timing	Responsibility
Geriatric		

JACC Model presentations at each branch. Train marketing manager and CP's on utilization.	2Q03	Omni Team
Discuss with Bob Warnock how Omnicare can use JACC model with national accounts to get business and utilize with accounts with high at risk Medicare reimbursement.		
Business planning meetings with RCD's and clinical coordinators.	2Q03	Omni Team
Determine the amount of Seroquel that is used for sedation. Develop clinical plan with Lisa to address.	2Q 03	Matt Lisa
Coordinate meeting with Lisa to review clinical application of Easy Tab, falls data, atypical class review, & information on PI changes concerning cardio vascular disease.	04/03	Matt
Coordinate Web Cast with Omnicare RCD's to review clinical application of Easy Tab, falls data, atypical class review, & information on PI changes concerning cardio vascular disease.	05/03	Matt Mark Lehman
Coordinate meeting with USP (Gary Irwin & Cathy Dragon) to review clinical application of Easy Tab, falls data, atypical class review, & information on PI changes concerning cardio vascular disease.	04/03	Matt
Set up Risperdal Clinical update and Easy Tab introduction for all target Omnicare LTCPP	3Q 03	LTC Group
Develop launch plan for Risperdal Consta at Omnicare	3Q 03	Omnicare Team
MR / DD		
MR/DD Web Base Training	3Q 03	Mark Lehman
Continue to pull-through MR/DD pilot at Enloe South Elgin. Ensure the success of this initiative.	Ongoing	Matt
Investigate with Lisa W other potential Omnicare branches to launch a MR/DD initiative. Pull-through tool kit.	04 /03	Matt
Mental Illness		
Launch MI education/initiative	2Q03	Matt
Successfully launch MI initiative in Chicago. CP education. Dr. Burks(Ris clin lit) & Dr. Lee (clin practice) JEC Deployment Ed. Program in partnership with Barton Management Grp, IL Health Counsel, &Trinity Health Care DLN Implementation in IMD Facilities	2Q03	Matt

Levaquin Action Plans	Timing	Responsibility

Discuss with Dan M financial ramifications of Cipro generic. • Singular E-Box stocking of Levaquin. • Develop a response for dispensing pharmacists to deliver to customers who question singular stocking	2Q 03	Chuck Dan M
Identify HV Cipro prescribers at branches with low Lev. MS.	Ongoing	LTC Group
Trust 6 & clinical monographs for dispensing pharmacists through RCD's.	2Q03	M. Lawrence
Inservice top 10 Omnicare Branches for dispensing pharmacists.	2Q03	LTC Group
Web Base training addressing infection control and anti-infective utilization in Elderly	3Q 03	Cathie Taylor
Leverage OMP for LTCPP and select facility inservices	Ongoing	LTC Group
Schedule needs assessment meeting between Brian Smith and Lisa Welford	2Q 03	Matt Brett
Identify and target HV Omnicare accounts with low Levaquin MS	2Q 03	Chuck

Ditropan XL Action Plans	Timing	Responsibility
Cost Calculator with nurse consultant/nurse education coordinators at all target branches.	Ongoing	LTC Group
Pull-Through support in states where Ditropan XL is preferred on Medicaid formulary.	Ongoing	LTC Group
Work with CP's to identify patients that are appropriate for therapy. Green Tree template.	Ongoing	LTC Group
Leverage OMP for LTCPP and select facility inservices	Ongoing	LTC group

Reminyl Action Plans	Timing	Responsibility
Alzheimer's Web Base Training.	2Q 03	Brett Matt
Leverage JEC for branch inservices.	Ongoing	LTC Group JEC
Physician education addressing benefits of Reminyl and this class or products in the nursing home population.	Ongoing	LTC Group JEC

Large scale programs targeting nursing homes / nurses that t • he branch services, addressing benefits of Reminyl and this class or products in the nursing home population.	Ongoing	LTC Group[p JEC
Sign up all CP's for sharing care. Review sharing care with Lisa to determine interest	2Q 03	Matt
Support CRO for outcomes trials related to this disease state		Matt Gary Irwin

Duragesic Action Plans	Timing	Responsibility
Develop response to states that are or in the process of PA Duragesic.	2Q 03	Chuck
Identify branches that have a disproportionate share of hospice business.	2Q 03	Matt
Identify branches that have a disproportionate share of HIV business.	2Q 03	Matt
Meet with Kelly Hollenack to determine national educational needs for pain management. Access ROI and implement accordingly	04/03	Matt Blaine

Ultracet Action Plans	Timing	Responsibility
Develop response to states that are or in the process of PA Ultracet.	2Q 03	Chuck
Identify branches that have a disproportionate share of hospice business.	2Q 03	Matt
Identify branches that have a disproportionate share of HIV business	2Q 03	Matt
Meet with Kelly Hollenack to determine national educational needs for pain management. Access ROI and implement accordingly	04/03	Matt Blaine

Key is that focus needs to be directed towards regional (RCD'S) and local branch (Clinical Coordinators) rather than Corporate. Currently Omnicare has four health management programs that they are driving from Corporate. They want to maintain their focus on these four critical initiatives. For us to increase our share of voice and tactical activity with our strategic products at Omnicare we will need to drive/influence this at the regional and local level.

IX Goal / Business & Market Share

APPENDIX A 2003 MARKET SHARE GOALS					
PRODUCT	**Dec 2002**	**1Q 03**	**2Q 03**	**3Q 03**	**4Q 03**
Risperdal®	47.6	48.0	49.0	50.0	51.0
Reminyl	13.6	15.0	17.0	18.5	20.0
Duragesic®	62.1	63	64	65	66
Aciphex®	2.5	2.5	2.5	2.5	2.5
Levaquin®	74.7	75	76	77	78
Ultracet®	30.3	32	33	34	35
DitropanXL®	41.4	44	46	48	50
Procrit®					

APPENDIX B SALES RESULTS				
PRODUCT	**2002 SALES**	**2002 MARKET SHARE**	**2002 SALES MARKET**	
Risperdal®	$97,498,079	47.6		
Reminyl	$7,725,157	13.6		
Duragesic®	$34,817,372	62.1		
Aciphex®	$1,684,914	2.5		
Levaquin®	$22,553,573	74.7		
Ultracet®	$637,021	30.3		
DitropanXL®	$3,318,835	41.4		
Procrit®	$38,136,997			

APPENDIX C CONTRACT SALES RESULTS (000'S)				
PRODUCT	**1Q 02**	**2Q 02**	**3Q 02**	**4Q 02**
Risperdal®	$24,861	$21,482	$24,650	$26,505
Reminyl	$1,285	$1,734	$2,173	$2,534
Duragesic®	$7,707	$8,529	$9,153	$9,429
Aciphex®			$880	$805
Levaquin®	$5,279	$5,165	$5,406	$6,703
Ultracet®			$243	$403
DitropanXL®			$507	$2,812
Procrit®	$8,667	$9,186	$10,066	$10,218

APPENDIX D
CONTRACT MARKET SHARE RESULTS

PRODUCT	1Q 02	2Q 02	3Q 02	4Q 02
Risperdal®	56.52	49.5	50.63	51.59
Reminyl				
Duragesic®	62.28	63.94	65.38	66.23
Aciphex®	1.71	1.87	3.48	3.34
Levaquin®	68.31	68.44	68.68	73.46
Ultracet®				11.25
DitropanXL®			32.31	40.04
Procrit®				

APPENDIX E
OMNICARE ACCOUNT TEAM

Chuck Chartier
Toledo, OH

Matt Lawrence
Minneapolis, MN

Tom Zavasky
Boston, MA

Blaine Morris
Indianapolis, IN

Howard Bradley
Atlanta, GA

Bruce Cummins
Kansas City, MO

Mary Jo DeFlorio
Detroit, MI

John Kennedy
Dallas, TX

Dean Meyer
Seattle, WA

Contract Summary

This will be a five-year offer.
The contract is a combination charge-back and rebate agreement.
Strategic products are Risperdal®, Duragesic®, Ultracet®, Reminyl®, Ditropan XL®, and Levaquin®. They are all eligible for both a quarterly performance rebate and an annual performance fee.
Rebates are earned on the basis of:

- Actual market share attained
- Product's position on formulary with no competitive disadvantages
- Product designated, at minimum, "Acceptable" on formulary

Strategic product performance fee is earned upon:

- Implementing J&J approved interventional programs
- Achieving pre-determined performance tier
- Additional utilization
- Additive to the quarterly rebates

Market share is calculated on the basis of days of therapy derived from DACON measure.
All J&J products are purchased at contract price (distributor list price less a small discount for capturing charge-back). The rebated products shall also be purchased and rebated at this price-protected contract price. Contract price is price-protected for the first 12 months of the agreement. For the subsequent term, there will be no more than one price change per line item during the 12 months and the aggregate price increase will be CPI +2.

Unknown

From: Inserra, Robert [OMP]
Sent: Tuesday, August 12, 2003 11:59 AM
To: Forsthoefel, Tim [OMP]
Subject: FW: DXL LVQ Pricing Update 7-08.ppt

final clean-ups

- DXL Medicaid % to 36% (per Bonnie R)
- Levaquin Delta revised to 25% (30% for Omnicare)
- other formating.

-----Original Message-----
From: Forsthoefel, Tim [OMP]
Sent: Tuesday, August 12, 2003 12:11 PM
To: Inserra, Robert [OMP]
Cc: Washburn, Ken [OMP]; Russell, Dale [OMP]
Subject: DXL LVQ Pricing Update 7-08.ppt

DXL LVQ Pricing Update 7-08.p...

Some additional Polish: action plan, LTC GPO adm. Fees, etc. Tim

ORTHO-McNEIL PHARMACEUTICAL, INC.

LTC Levaquin & Ditropan XL Pricing Review

Who Is LTC?

- Comparative Market Value
- Composition of Market

Market Approach

- Customer Segmentation
- Strategy, Contract Structure

Market Results

Market Opportunities – Threats

Medicaid PDLs

- Sensitivity Analysis
- "Play Book"

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ORTHO-McNEIL PHARMACEUTICAL, INC.

LTC Institutional Definition

LTC
N1 - NURSING HOME RESIDENTIAL CARE FACILITY WITHOUT A HOSPITAL
N2 - NURSING HOME PROVIDER (100% OF BUSINESS)
N3 - VISITING NURSE (HOME HEALTH CARE SERVICES)
N4 - CHAIN NH PROVIDER/PURCHASING SERVICE
P7 - NH PHARMACY (SERVICING MULTIPLE NH'S AND MAY INCLUDE RETAIL BUSINESS) /PURCHASING SERVICE

Numbers will not "tie-out" Between "LTC" and Segmented Tier 1's, because of N1 and N3 Category inclusion

Source: 1Q'03 IMS-DDD Report

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ORTHO-McNEIL PHARMACEUTICAL, INC.

LTC Customer Components

Many "Players" in LTC

- Nurses'Aids
- Nurses
- Nurse Practitioners
- Medical Directors

} Influenced with Key Clinical Messages, Professional Associations, Practice Standards, Regulatory Bodies

- Pharmacy Consultants
- Executive Pharmacy Buyers

} High degree of impact on product selection Influenced with same methods above, but highly motivated based on economics.

Emphasis less on net costs, and more on quality of product and "spread" (their margin)

Focus Contractual Efforts on the Pharmacy Buyers

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LTC Customer Components

Pharmacy Component Broken into 2 Segments:

GPOs (50%-60% $ Sales)

Access for Discounts
Voluntary membership

Attempting to influence Key Components referred to as Committed Aligned Member (CAM) – Clustered Customers within a GPO membership, with Tier 1 "like" approach

Consolidated Pharmacy Providers (Tier 1's)

High Control;High Demand
Corporate Ownership
Demonstrated Share Performance for Top 2

Focus Field Effort and Contract Incentives on Tier 1's; CAMs in GPOs

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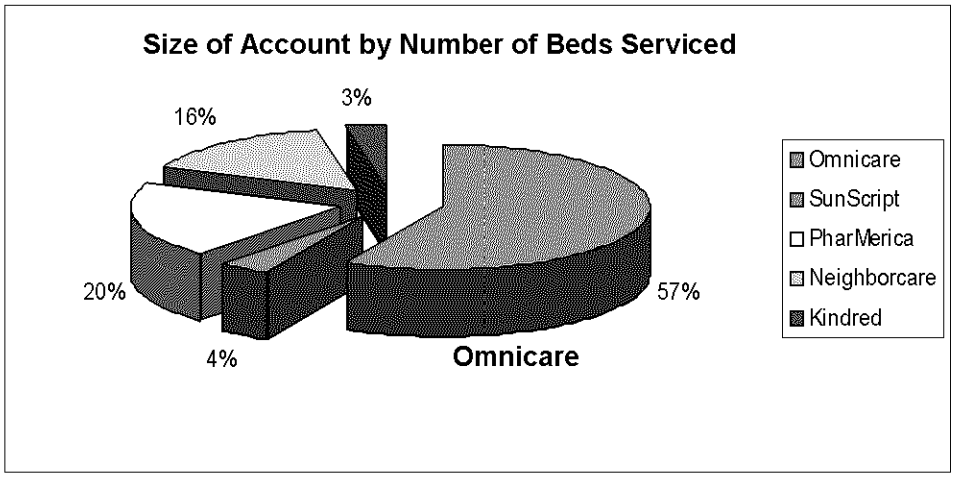
ORTHO-McNEIL PHARMACEUTICAL, INC.

Segmentation of Tier 1 LTC Rx Providers, by Beds



With Recent Acquisition of NCS Healthcare and Sunscript, Omnicare represents 61% of All Tier 1 Beds, approximately 15% of the LTC market for DXL; 24% for LVQ

Source: 1Q'03 LTCBG Report; 1Q'03 IMS DDD Sales

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ORTHO-McNEIL PHARMACEUTICAL, INC.

Sales and Investments for LTC GPOs vs Tier 1's

	CAM	GPO	Tier 1
Sales	$ 13,019,686	$ 66,687,536	$ 54,828,321
Rebates	$ 832,614	$ 1,667,188	$ 6,809,000
% Sales	9.7%	49.6%	40.8%

While half of sales are through GPOs; Investments follow Control of Tier 1's

Source: 3Q'02 LTCBG Report

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Sales and Investments for Tier 1 LTC

	Ultracet	Ultram	Levaquin Tabs	Levaquin IV	Ditropan XL
Annualized Sales	$ 2,878,125	$ 4,528,076	$ 44,100,432	$ 3,321,681	NA
Annualized Rebates	$ 137,501	$ 62,463	$ 6,390,232	$ 219,779	NA
% Total Sales	5.2%	8.3%	80.4%	6.1%	$ -
% Total Rebates	2.0%	0.9%	93.8%	3.2%	NA
Realized Rebate Rate	4.8%	1.4%	14.5%	6.6%	$ -

Focus and Manage Levaquin, and you Manage 80% of the LTC Market for OMP

Source: 3Q'02 LTCBG Report

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Contract Status: Tier 1 Providers

	J&J Corporate Contract		Contract Status		
Contractee Name	Contract Start Date	Contract End Date	Ditropan XL®	Ultracet®	Levaquin®
MHA	11/1/2000	12/31/2003	Formulary	Formulary	Formulary
PBI	11/1/2000	12/31/2003	Non Formulary	Formulary	Formulary
(Premier) Innovatix	11/1/2000	12/31/2003	Formulary	Formulary	Formulary
GeriMed	11/1/2000	12/31/2003	Formulary	Formulary	Formulary
(Owen) NeighborCare	7/1/2000	3/31/2003	Formulary	Formulary	Formulary Preferred
PharMerica* Recently Took 30 Day Out	1/1/2000	3/31/2002	*Formulary	Formulary	Formulary
KINDRED (Vencor)	12/1/1998	11/30/2003	Formulary	Formulary	Formulary
Omnicare	5/1/2000	3/31/2004	Formulary	Formulary	Formulary Preferred

*** PharMerica previously did not award DXL; global J&J agreement suspended, pending renegotiation**

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Levaquin® Institutional Segment Values

IMS-DDD	1Q 2002 PRYR ROLLING 3 MTHS			1Q 2003 CYR ROLLING 3 MTHS			
LEVAQUIN Tablets	MARKET $	BRAND	MKT SHR	MARKET $	BRAND	MKT SHR	% $ Chg
HOSPITAL	$78,380,230	$27,921,293	35.6%	$85,231,864	$30,266,904	35.5%	8.4%
LONG-TERM CARE	$42,373,072	$16,209,186	38.3%	**$46,005,126**	**$18,820,505**	**40.9%**	**16.1%**
GOVERMENT/VA/DOD	$48,781,470	$14,039,793	28.8%	$75,900,684	$17,506,162	23.1%	24.7%
Totals	$169,534,772	$58,170,272	34.3%	$207,137,674	$66,593,571	32.1%	14.5%

LTC Annualized

Market Potential: $ 184MM

Actual Sales: $ 75MM

Does Not Include Omnicare, Approximately $ 27MM Annually

LTC Represents 22% of Institutional Market Potential, but 28% of LVQ Institutional dollar Sales

Source: 1Q'03 IMS-DDD Report

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Levaquin® Strategy and Contract Structure: GPOs

Strategy: Maintain access; accelerate growth through incentives to Corporate Aligned Members (CAMs) (High control members of GPOs, Like Tier 1s)

Approach:

- GPOs: Minimal access discounts, standard Adm. Fees

Product	Access Discounts	Administrative Fees	Future Adm.Fees	
LEVAQUIN®	Benefits Member	Benefits GPO Management	GPO Sales	CAM Sales
%	1.00%	2.50%	1.00%	1.00%

Future Direction: Accelerate Growth of CAMs, similar to Tier 1 Account Offerings.

GPO incentive payments with shifted focus to CAM sales, as opposed to "Open" Membership sales (move from 2.5% to 1%; 1% CAMs)

Source: Omnicare Contract

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Levaquin® Strategy and Contract Structure: Tier 1 Providers

Strategy: Entrench Levaquin's Market Strength, accelerate growth through incentives

Approach:

- Tier 1's: Sole Source or Preferred Status

Product	Access Discounts	Performance Rebate	Tier 1	Tier 2
Levaquin ®		Actual DOT Market Share	<60.0%	>= 60.0%
Rebate %	1.00%		0.00%	15.00%

Total Discount Potential is 16%, All accounts performing at Tier 2, with exception of PharMerica, due to renegotiation of global J&J Agreement

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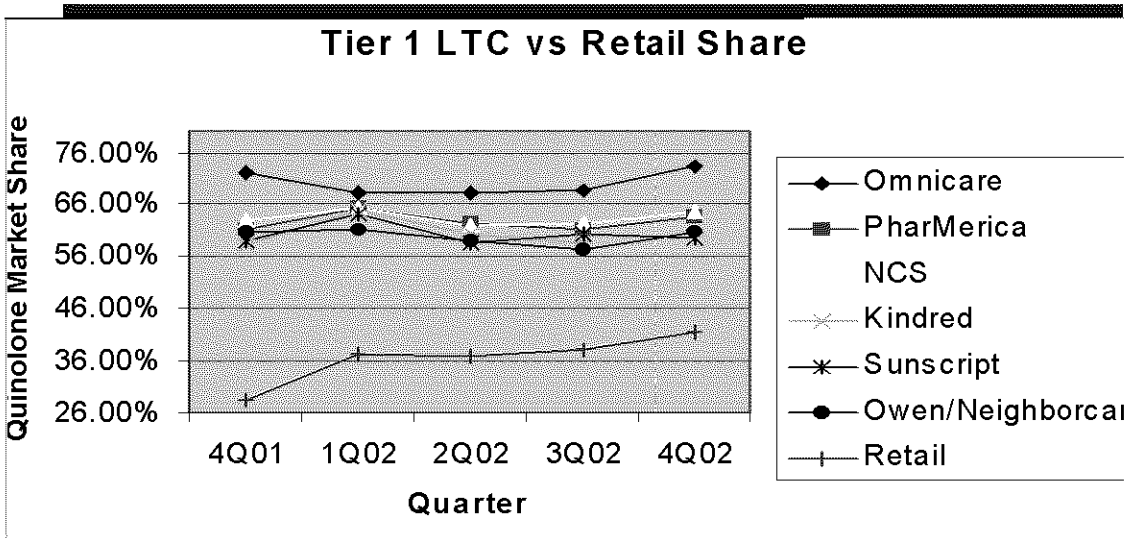
Levaquin® Tablet LTC Share Trend Analysis vs Retail



Measurable Performance Difference Between Retail (Baseline) and LTC Tier 1's

Source: 4Q'02 LTCBG Report vs Retail Weekly Market Share Report

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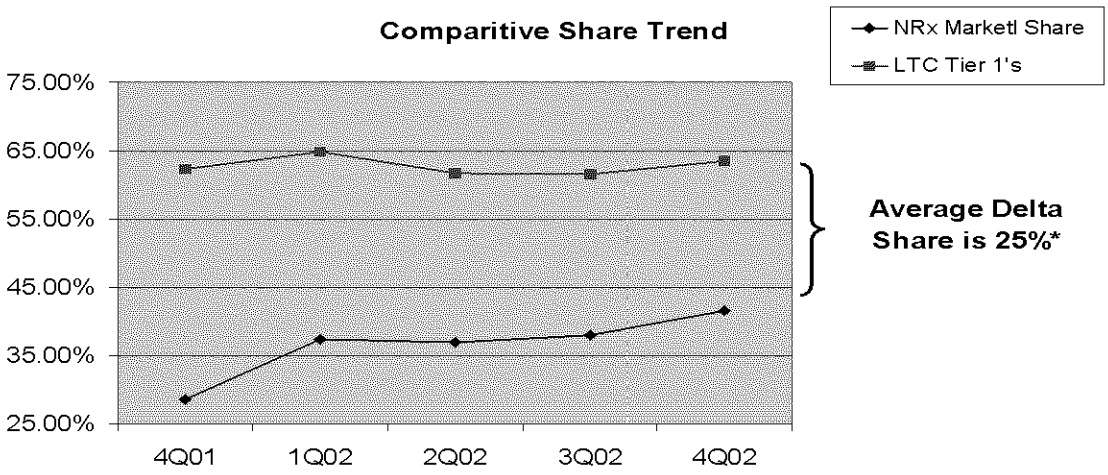
Levaquin® Tablet LTC Share Trend Analysis vs Retail



Significant Share Performance Gain with Tier 1 LTC Pharmacy Providers

Source: 4Q'02 LTCBG Report vs Retail Weekly Market Share Report

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* Delta ~ 30% for Omnicare

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Levaquin® Profitability Model: Omnicare with Share Shifts

Omnicare Profitability for Levaquin	Scenarios: Contract (Actual)	No Contract	No Contract @ Retail NMS	Increased PDL Reb (65%)
Omnicare Share	69%	20%	40%	69%
2 & 3Q '02 Sales (Avg)	$ 6.0			
Annualized Sales (Millions)	**$ 24.0**	**$ 7.0**	**$ 13.9**	**$ 24.0**
Less Rebates (15% Investment)	$ (3.6)	$ -	$ -	$ (3.6)
Less Medicaid Rebate (45%x65%)	$ (7.0)	$ (2.0)	$ (4.1)	$ (10.1)
Net Sales	**$ 13.4**	**$ 4.9**	**$ 9.8**	**$ 10.3**
Std Cost	$ (5.2)	$ (1.5)	$ (3.0)	$ (5.2)
Gross Margin	**$ 8.1**	**$ 3.4**	**$ 6.8**	**$ 5.0**
vs Current LTC Contract		$ (4.7)	$ (1.3)	$ (3.1)

While "double dipping" has a substantial negative effect on LTC profitability, given the large share delta and cost structure, this still appears a wise investment. This needs watchful monitoring given trends in Medicaid.

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Levaquin® Profitability Model: Omnicare & Changing Medicaid

	Medicaid Rebate Scenarios			
Omnicare Profitability for Levaquin	**45%**	**55%**	**65%**	**75%**
	TODAY			
Omnicare Share	69%	69%	69%	69%
2 & 3 Q'02 Sales (Avg)	$ 6.0			
Annualized Sales (Millions)	**$ 24.0**	**$ 24.0**	**$ 24.0**	**$ 24.0**
Less Rebates (15% Investment)	**$ (3.6)**	**$ (3.6)**	**$ (3.6)**	**$ (3.6)**
Less Medicaid Rebate (65% of LTC M	**$ (7.0)**	**$ (8.6)**	**$ (10.1)**	**$ (11.7)**
Net Sales	**$ 13.4**	**$ 11.8**	**$ 10.3**	**$ 8.7**
Std Cost	**$ (5.2)**	**$ (5.2)**	**$ (5.2)**	**$ (5.2)**
Gross Margin	**$ 8.1**	**$ 6.6**	**$ 5.0**	**$ 3.5**
		→		
vs Current LTC Contract		**$ (1.6)**	**$ (3.1)**	**$ (4.7)**

While "double dipping" has a substantial negative effect on LTC profitability, given the large share delta and cost structure, this still appears a wise investment. This needs watchful monitoring given trends in Medicaid.

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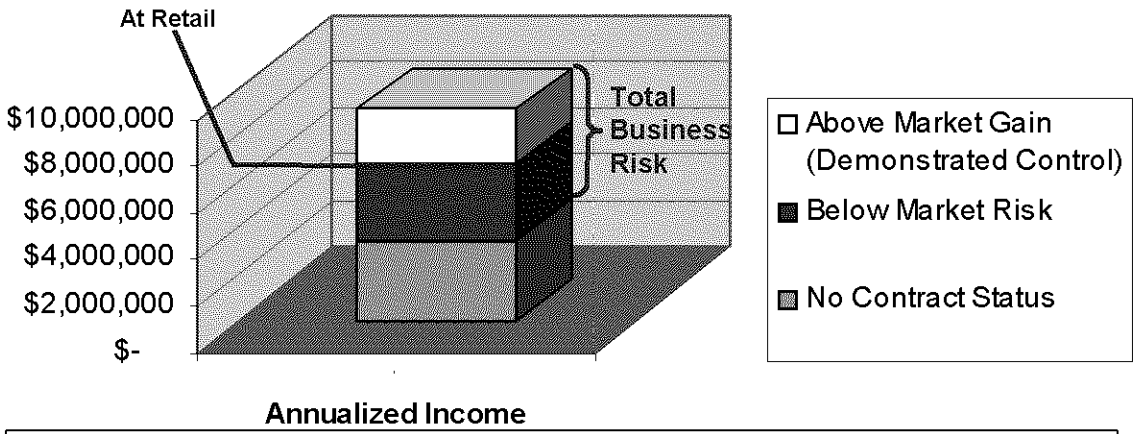
Levaquin ® Business Risk Model

Omnicare Profitability



Like PBMs, while a positive share over retail exists, if given a competitive award, a "negative share" to retail must be anticipated.

Simply stated: If they can "help us", they can "hurt us"

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Levaquin® Opportunities / Threats

- Omnicare continues to grow rapidly in this sector, consolidating the market
- J&J has a strong reputation in LTC; numerous awards
- Positioning against Rocephin based on Quality of Care (IV/IM Avoidance) / Cost avoidance to Care Provider
- CAM Agreements, incentives like Tier 1s, can gain additional focus within GPOs

- Growth of State Medicaid Supplements can have a significant impact on LTC share/profitability

- New Product Entries (Generic Cipro, Cipro XR)

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Ditropan XL® Institutional Segment Values

	1Q 2002			1Q 2003			
	PRYR ROLLING 3 MTHS			CYR ROLLING 3 MTHS			
DITROPAN XL	MARKET $	BRAND	MKT SHR	MARKET $	BRAND	MKT SHR	% $ Chg
HOSPITAL	$215,666	$157,659	73.1%	$87,897	$29,628	33.7%	-81.2%
LONG-TERM CARE	$12,433,077	$4,480,616	36.0%	**$15,717,041**	**$5,975,394**	**38.0%**	33.4%
GOVERMENT/VA/DOD	$1,557,272	$252,188	16.2%	$2,625,742	$807,598	30.8%	220.2%
Totals	$14,206,015	$4,890,463	34.4%	$18,430,680	$6,812,620	37.0%	39.3%

LTC Annualized

Market Potential: $ 62.5MM

Actual Sales: $ 24MM

Does Not Include Omnicare, Approximately $3MM Annually

LTC Represents 85.3% of Institutional Market Potential, but 87.7% of DXL Institutional Sales

Source: 1Q'03 IMS-DDD Report

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Ditropan XL® Strategy and Contract Structure: GPOs

Strategy: Maintain access; accelerate growth through incentives to Corporate Aligned Members (CAMs) (High control members of GPOs, Like Tier 1s)

Approach:

- GPOs: Minimal access discounts, standard Adm. Fees

Product	Access Discounts	Administrative Fees	Future Adm.Fees	
DITROPAN XL®	Benefits Member	Benefits GPO Management	GPO Sales	CAM Sales
%	1.00%	2.50%	1.00%	1.00%

Future Direction: Accelerate Growth of CAMs, similar to Tier 1 Account Offerings.

GPO incentive payments with shifted focus to CAM sales, as opposed to "Open" Membership sales (move from 2.5% to 1%; 1% CAMs)

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Source: Omnicare Contract

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Ditropan XL® Strategy and Contract Structure: Tier 1 Providers

Strategy: Minimize market hurdles, accelerate growth through incentives, and block future entries

Approach:

- Tier 1's: Require 1 of 2 OAB agents, structure incentives commensurate to share gains; promote share growth

Product	Access Discounts	Performance Rebate	Tier 1	Tier 2	Tier 3	Tier 4	Overlay
DITROPAN XL®		Actual DOT Market Share	<25.0%	25.1% to 41.0%	41.1% to 49.9%	> 50.0%	Acceptance of DXL, LVQ IV and Ultracet®
Rebate %	1.00%		0.00%	8.00%	10.00%	11.00%	3.00%

All Accounts Performing at Tier 2 (12% rebate/discounts), with Existing Tiers for for Growth. Total Discount Potential is 11%-15%.

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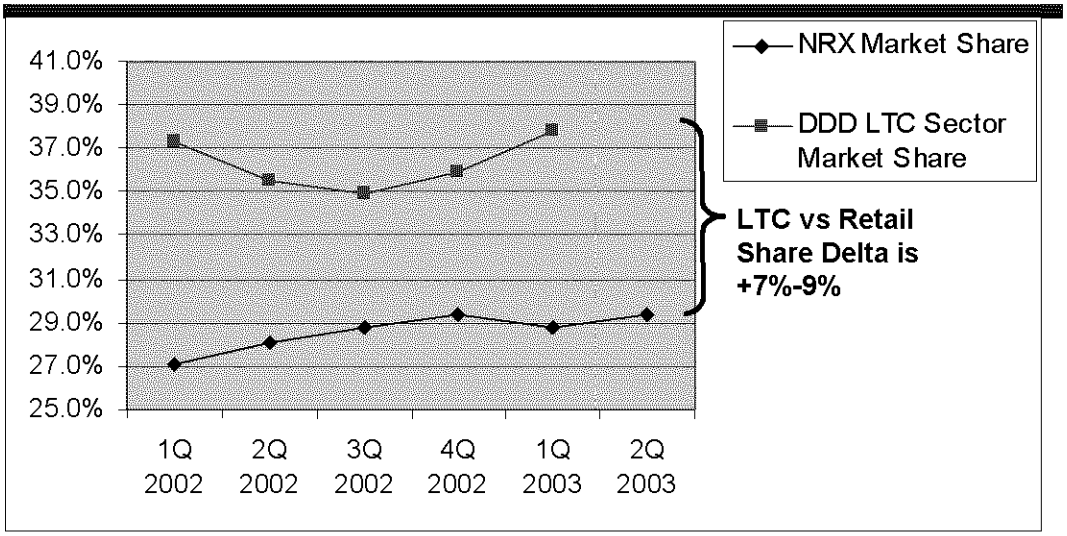
Ditropan XL Tablet LTC Share Trend Analysis vs Retail



Measurable Performance Difference Between Retail (Baseline) and LTC Tier 1's

Source: 4Q'02 LTCBG Report vs Retail Weekly Market Share Report

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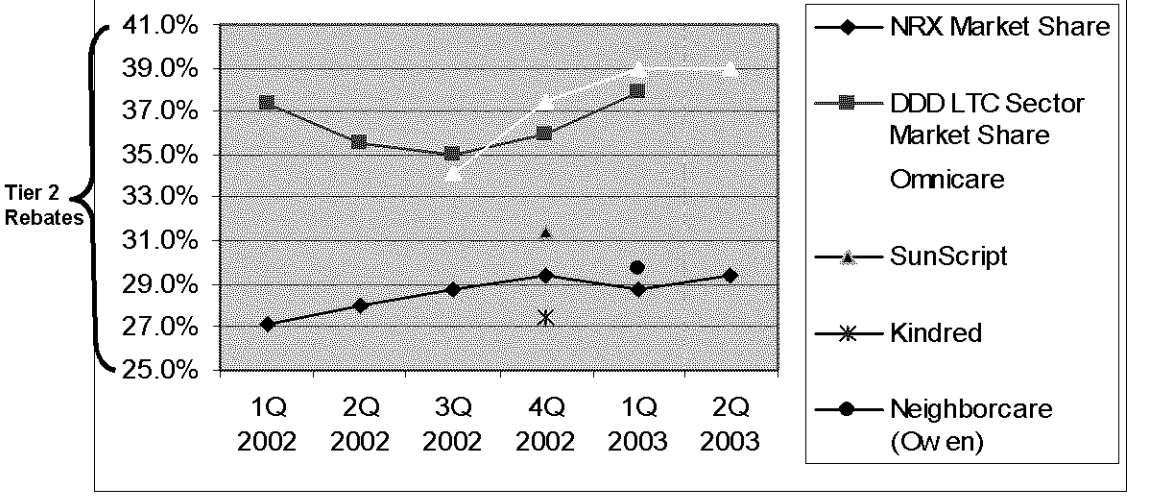
Ditropan XL LTC Share Trend Analysis vs Retail



Significant Share Performance Gain with Omnicare, over LTC Segment and other Tier 1s; Some Tier 1's show below sector and Retail Share

Source: 4Q'02 LTCBG Report vs Retail Weekly Market Share Report

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Ditropan XL Opportunities / Threats

- Omnicare continues to grow rapidly in this sector, consolidating the market
- J&J has a strong reputation in LTC; numerous awards
- Possibility to "Stratify" Tier 2 Performance into more refined tiers, given 10 point difference in Tier 1 accounts (Omnicare 37.4%, Kindred 27.4%)
- CAM Agreements, incentives like Tier 1s, can gain additional focus within GPOs
- Urinary Cost Calculator
- DXL acceptance is contingent upon status of global J&J agreement
- Growth of State Medicaid Supplements can have a significant impact on LTC share/profitability
- New Product Entries forthcoming via Yamanouchi/GSK

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Sensitivity Analysis For DXL in LTC

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Current Status		Exit LTC Contracts (Optimistic)		Exit LTC Contracts (Likely)	
Current Sales	$ 24.0	Current Sales	$ 18.9	Current Sales	$ 11.4
LTC DXL Share	38.0%	LTC DXL Share	30.0%	LTC DXL Share	18.0%
Delta Share to Retail	8.0%	Delta Share to Retail	0.0%	Delta Share to Retail	-12.0%
Medicaid Reb (65%@36%)	(5.6)	Medicaid Reb (65%@36%)	(4.4)	Medicaid Reb (65%@36%)	(2.7)
LTC Investments (7.75%)	(1.8)	LTC Investments (0%)	-	LTC Investments (0%)	-
Net Sales	$ 16.6	Net Sales	$14.5	Net Sales	$8.7
		Variance to Status Quo	**-$2.1**	**Variance to Status Quo**	**-$7.9**

Scenarios Triggering Revisting LTC Contract Strategy

LTC Contracts Generate Positive Return today

<3% Delta share, or >50% PDL Rebates would require exit consideration

Rapid Changes in PDL States could challenge investment levels

Delta Share Drops to 3%		PDL's Dominate &/or Suppl Reb Incr	
Current Sales	$20.8	Current Sales	$24.0
LTC DXL Share	33.0%	LTC DXL Share	38.0%
Delta Share to Retail	3.0%	Delta Share to Retail	8.0%
Medicaid Reb (65%@36%)	(4.9)	Medicaid Reb (65%@50%)	(7.8)
LTC Investments (7.75%)	(1.6)	LTC Investments (7.75%)	(1.8)
Net Sales	$ 14.4	Net Sales	$ 14.4
Variance to Status Quo	**$ (2.2)**	**Variance to Status Quo**	**$ (2.2)**

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Medicaid Learnings

- PA Medicaid States are Growing
- "Double Dipping" *does occur.*

Rebates paid by Pharma Company to LTC Pharmacy Provider, who then submits approximately 65% of their business to State Medicaid for reimbursement.

To-date we have not been able to verify that the LTC submission claims are separated or excluded by the State when submitting for rebates

Source: JPI Aciphex PA States

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LTC Facilities/Beds by State (PDLs Highlighted)

- **Majority of LTC beds are located in 13 key states corresponding to population and the elderly**
- **Only 30% of LTC Beds are in PDL States**
- **Trigger States for Review: Ohio, Pennsylvania, Texas and New York**

PDL Implemented

Pending PDL

State	Facilities	Beds
Texas	1,144	125,029
California	1,174	114,897
New York	568	100,843
Illinois	782	99,920
Ohio	947	92,833
Pennsylvania	667	91,252
Florida	625	74,140
Indiana	534	61,672
Missouri	541	55,289
Massachusetts	539	54,303
Michigan	419	48,753
New Jersey	341	46,857
Wisconsin	385	45,715

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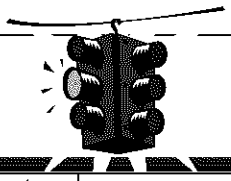
Milestone Markers for Action



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Scenarios	Enforce Current Agreements	Carve Out PDL States	Eliminate all LTC
Current Business Environment - PDLs, States acting Independently; Margins continue to erode, requiring watchful monitoring **(Probability: 15%)**	Enforcing agreements ensures our business profitability is maximized until Medicaid rebates exceed the incremental net income from LTC	Carving out PDL states is limited due to on-going dynamics; limited sources/capacity	Lose of market share requirements; loss of LTC PP to drive our business results
Medicare Drug Benefit Plan - Economy rebounds, Medicaid is fundamentally changed; Margins maintain at current levels	As money is infused into LTC, current agreements continue to drive business results	Customer acceptance of agreements unlikely; could place us at an a disadvantage based on competitive profiles	Eliminating any current abilities to influence market, which is expanding due to increased funding
Draconian Measures - States implement tight controls, socialized medicine; Margins drastically reduced, nominal pricing to play **(40%)**	Ineffective as control will be excercised by state formularies. All performance agreements should be removed, if not negated by low shares	Mute point as all states move to a institutional(VA) or clinic type formulary	Best alternative. Important to try to maintain relationshps with pharmacy due to clinical influence in private pay world
State Innovations - Coalitions, privatization, risk sharing **(40%)**	Keeping LTC Performance agreements benefits our position with states due to critical mass. LTC carve outs, pharmacy clinical influence and market knowledge are leveraging opportunities	Adds complexity to a dynamic market. Quarterly changes in positions and strategies. (Moving target)	Loss of leverage points to capitalize or reject sstate opportunities

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"Playbook" For LTC, Given Actions at State Levels

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LONG TERM CARE TIER 1 PHARMACY PROVIDER "PLAY BOOK"			
Medicaid PDL Scenarios	**Monitor**	**Trigger**	**Implied Actions**
Increased Discounts; Multi-Brand Access	Combined Medicaid/LTCPP Rebates	Combined Discounts > 70%	Reduce OR Eliminate LTCPP Discounts
			Accelerate "Clinical Preference" in Geriatric Population, where feasible
Status Quo	Delta Market Share of Tier 1's vs Retail	Delta significantly Changes (Decreases), or value is less than 3% Share Points vs Retail for DXL, 20% LVQ	Reassess LTCPP Agreements, or mandate Floor Market Share Requirement
Prospective Payment / Capitation	Via SGA Key 6-8 LTC State Reimburement Status (FFS vs Capitated)	Multi-State Movement to PPS	Continue to establish Product Positioning via Clinical vs Economic Value
	LTCPP Tier 1 for Market Insights / Contract Acceptance; Share Performance	Customer Feedback on PPS or Contract Valuation	Reassess Contract & Product Profile for Market Positioning - Increase Incentives where Fiscally Justifiable
		Delta significantly Changes (Decreases), or value is less than 3% Share Points vs Retail for DXL, 20% LVQ	
Increased Discounts; Single Brands	Combined Medicaid/LTCPP Rebates	Combined Discount > 70% or LTC Market Share over Retail (Delta) < 3% DXL; 20% LVQ	Reduce OR Eliminate LTCPP Discounts
	Monitor State Level PDL Status Report (Trigger States: OH, PA, TX, NY)	Significant Portion of Tier 1 Business Covered by "Exclusive" State Positioning ("What are we buying")	Conduct a LTCPP Tier 1 Analysis on % Business by State Distribution
			Reduce OR Eliminate LTCPP Discounts

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Unknown

From: Ferry, Shawn [OMP]
Sent: Tuesday, November 25, 2003 1:40 PM
To: Thurmond, Tracey [OMP]; Forsthoefel, Tim [OMP]
Cc: Farley, Brett [HCSUS]; Ong, Gregory [HCS]
Subject: RE: DITROPAN XL LTC Contract

All,

Where do we stand on the financial analysis?

-----Original Message-----
From: Thurmond, Tracey [OMP]
Sent: Monday, November 17, 2003 12:15 PM
To: Ferry, Shawn [OMP]; Forsthoefel, Tim [OMP]
Cc: Farley, Brett [HCSUS]; Ong, Gregory [HCS]
Subject: RE: DITROPAN XL LTC Contract

Shawn,
Greg Ong at JJHCS is working on the financial piece of your request. As for your last bullet, in order to have the Omnicare's of the world drive share that high, it must be financially work their while. This is a customer that forecasts customer rebates each quarter. What we currently have is place is less lucrative than our competition. In addition the buzz in LTC is how aggressive Pfizer has become in this market. You are going to see a big push toward Detrol LA if their contract "spread wise" is more lucrative that our new proposed offering. I will be in touch with the analysis piece as soon as possible

Tracey
Tracey Thurmond Watts
Ortho McNeil Pharmaceutical
National Account Manager
REDACTED

-----Original Message-----
From: **Ferry, Shawn [OMP]**
Sent: Tuesday, November 11, 2003 1:33 PM
To: Forsthoefel, Tim [OMP]
Cc: Thurmond, Tracey [OMP]
Subject: DITROPAN XL LTC Contract
Importance: High

Tim,

I spoke with Jeff Smith today regarding the revisions proposed to the LTC contract. Generally speaking, he was fine with the revisions. He will need some additional information regarding the contracts to support any presentation to Seth.

The following are his additional areas of need:

- What is the rationale for eliminating the old "incremental performance incentive" that was tied to the inclusion of ULTRACET or LEVAQUIN IV. I explained the directive to eliminate overlays, but he wants more of the rationale.
- What is the financial impact of the proposed current tiers for Omnicare, GPO's and Pharmerica, Neighborcare & Kindred. Specifically, he is asking what would be the financial impact if we took accounts from the current contract to the new contract. Secondly, what would be the financial impact (positive and/or negative) if accounts moved to any new tiers compared to where they would have been in old contract tiers.

- For example, if Omnicare was performing in each of the new tiers what would be the financial impact compared to where they would have been in the old contract

- **Finally, Jeff has challenged us about Omnicare and their span of control. If it is truly strong, what would be the possibilities to drive even greater performance (say 70-80%) and what would it take.**

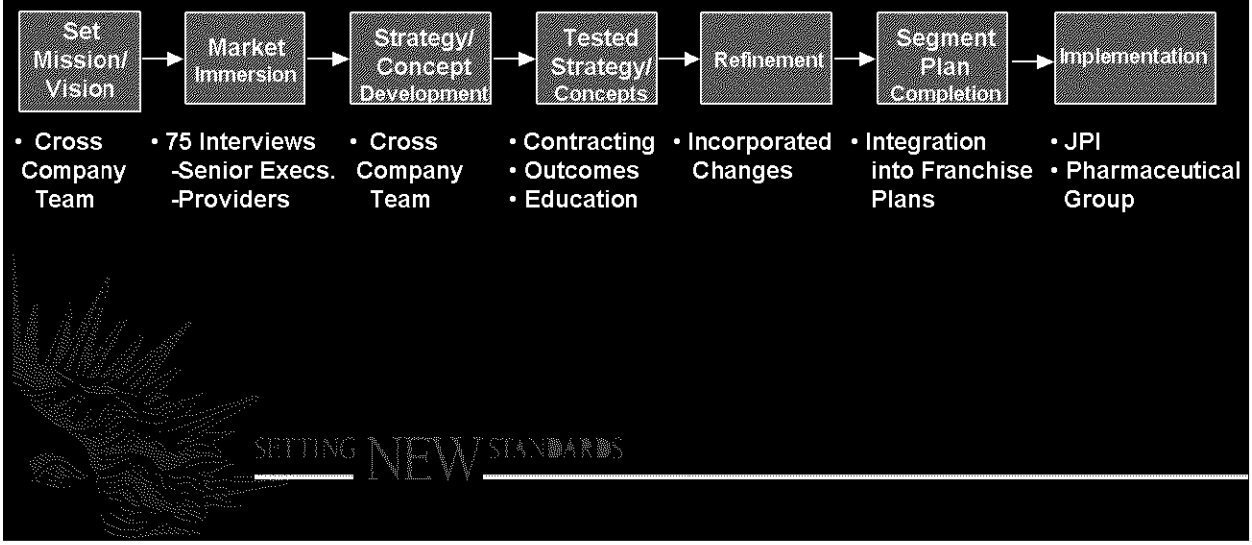
The process is moving, but I'll need some of this information from you for Jeff to move forward.

LTC Group Update to MCC 12/15/1999

Agenda

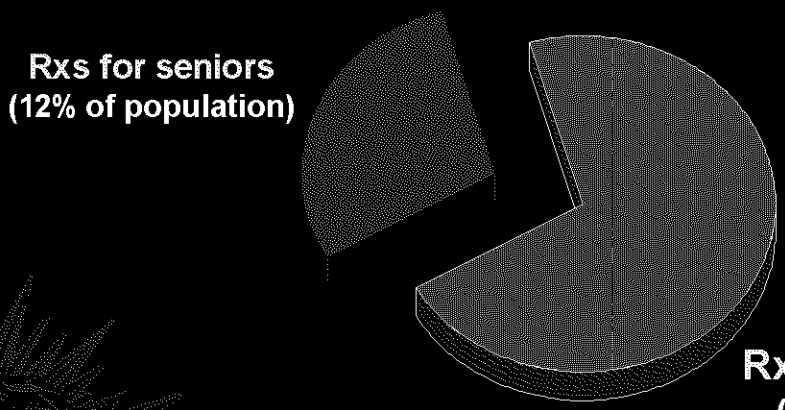
- Background
- The Strategy & Team
- Results
- Lessons Learned
- Future "Open Discussion"

Background


Set Mission/ Vision
Market Immersion
Strategy/ Concept Development
Tested Strategy/ Concepts
Refinement
Segment Plan Completion
Implementation
• Cross Company Team
• 75 Interviews -Senior Execs. -Providers
• Cross Company Team
• Contracting • Outcomes • Education
• Incorporated Changes
• Integration into Franchise Plans
• JPI • Pharmaceutical Group
SETTING NEW STANDARDS

Rx Use and Seniors

- 1998 - 2.5 billion Rxs
- Seniors account for 34.2% of Total Annual Rxs in the USA



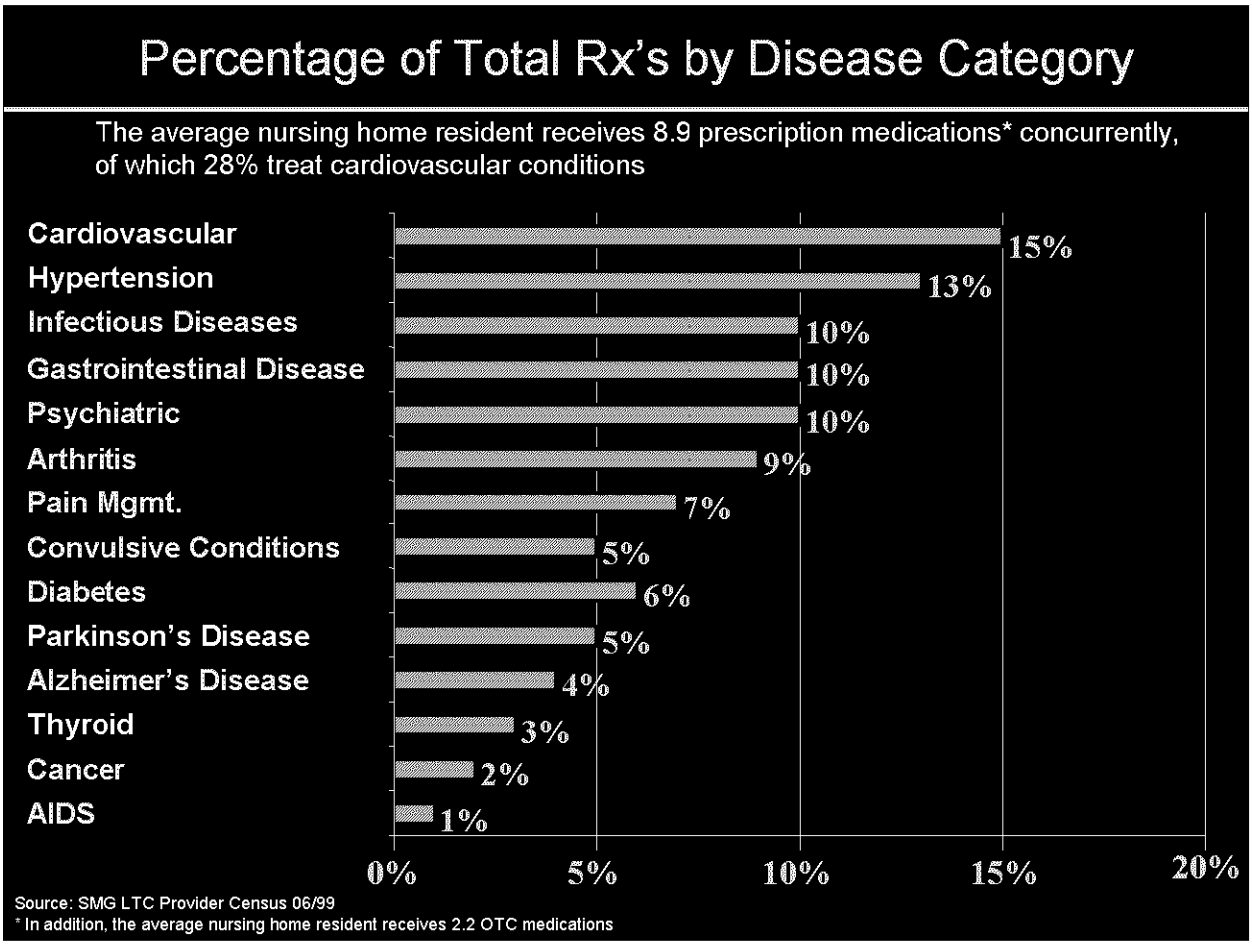
SETTING NEW STANDARDS

Source: IMS 1997

LTC Pharmacy

'A Growth Industry'

- Favorable Demographics
- Average Resident 8.9 Rx/Day
- $4.5B today …. $7B in 2002
- Fragmented
- Wall Street consensus on 25% - 30% growth


Percentage of Total Rx's by Disease Category
The average nursing home resident receives 8.9 prescription medications* concurrently, of which 28% treat cardiovascular conditions
Cardiovascular 15%
Hypertension 13%
Infectious Diseases 10%
Gastrointestinal Disease 10%
Psychiatric 10%
Arthritis 9%
Pain Mgmt. 7%
Convulsive Conditions 5%
Diabetes 6%
Parkinson's Disease 5%
Alzheimer's Disease 4%
Thyroid 3%
Cancer 2%
AIDS 1%
0% 5% 10% 15% 20%
Source: SMG LTC Provider Census 06/99
* In addition, the average nursing home resident receives 2.2 OTC medications

J & J Customer Satisfaction in LTC
Base Line - October 1996

- Customer Satisfaction Rating (Scott Levin) # 36
- Advisory Board Feedback "Bottom three"
- Large Sales Volume

Dedicated Resources

LTC Business Group
(OMP,OBI,JPI)
Nov. 1996

- 2 Region Directors
- 3 Account Directors
- 11 Business Managers
- 25 Geriatric Nurse Consultants

JJHCS

- Contract Admin. & Management

Janssen Pharmaceutica
ElderCare Sales Force
May 1998

- 2 Region Directors
- 9 District Managers
- 85 ElderCare Specialists
  Proposed Expansion +136

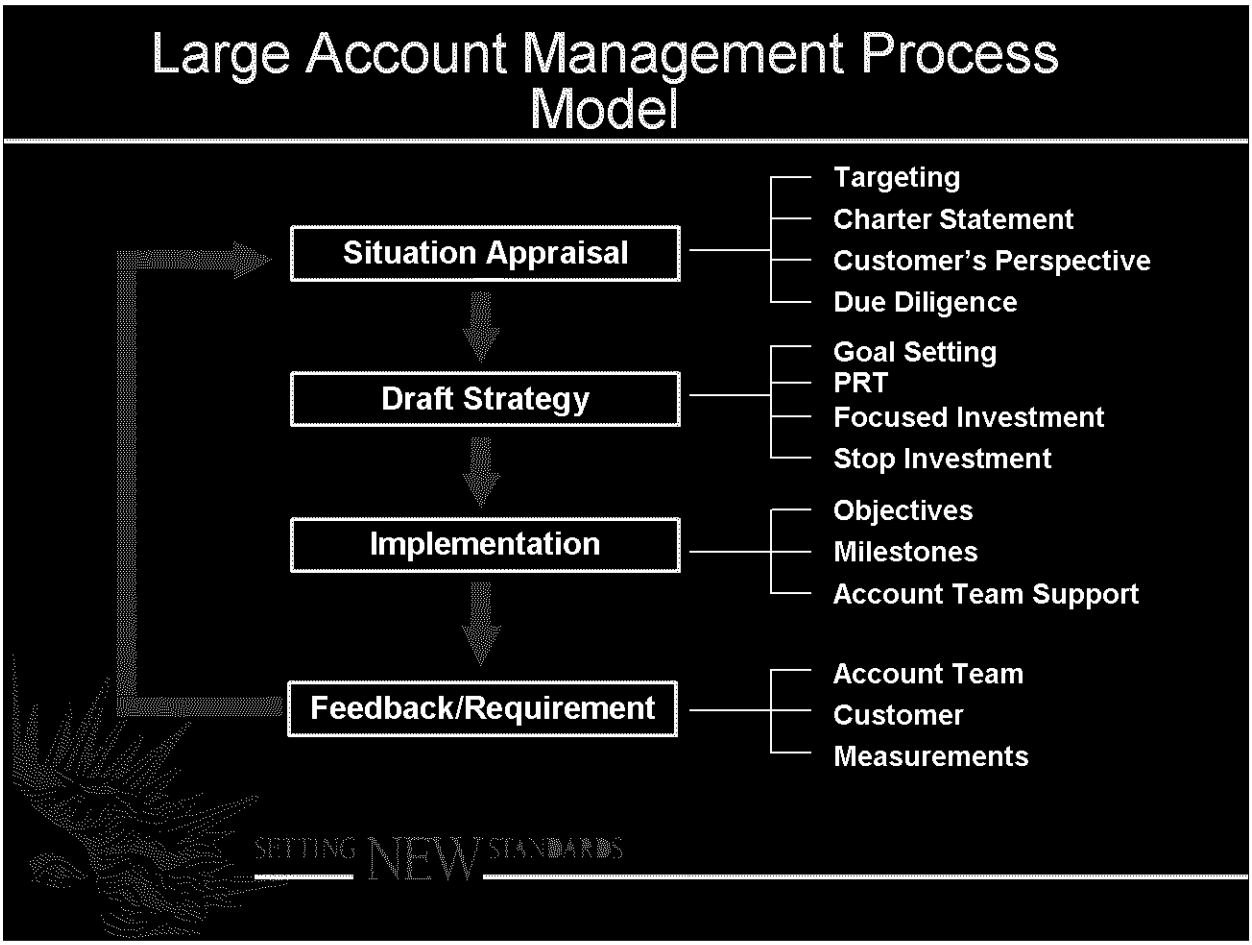

Long-Term Care Dynamics & Influencers
LTC BM
LTC Pharmacy Providers (Consultant Pharmacists)
ElderCare/ OMP Sales Force
Physicians Prescribers
Geriatric Nurse Consultants
Nurse Training & Education
JJHCS
Contract Management
Strong partnerships with Marketing, Sales & Account Management at OMP, OBI & Janssen
SETTING NEW STANDARDS

Our Vision

- Build a collaborative team, leveraging our internal partners.
- Be viewed as the best account management team in the industry.
- Provide innovative products and customer support programs that assist our customers in achieving their business and clinical goals.

Sampling of Pharmaceutical Group Targeted LTC Products

- Duragesic®
- Levaquin®
- Procrit®
- Regranex®
- Risperdal®
- Ultram®


Large Account Management Process Model
Situation Appraisal
Targeting
Charter Statement
Customer's Perspective
Due Diligence
Draft Strategy
Goal Setting
PRT
Focused Investment
Stop Investment
Implementation
Objectives
Milestones
Account Team Support
Feedback/Requirement
Account Team
Customer
Measurements
SETTING NEW STANDARDS

Key Initiatives

- Intervention Programs
  - RISPERDAL, LEVAQUIN, Pain Management, ULTRAM, DURAGESIC, PROCRIT*, REGRANEX*
- Home Health Care / ALF
- Market Assessment - LifeScan / JJMI
- Image-Enhancement Campaign
- LTC - Newsletter (ASCP, AMDA, NADONA)

Results

Results

- Strong sales performance +30%
- Solid customer endorsement
  - Rank #36, Oct 1996
  - Rank # 5, Fall 1997
  - Rank # 2, Spring 1999

AMDA Award , Spring 1999

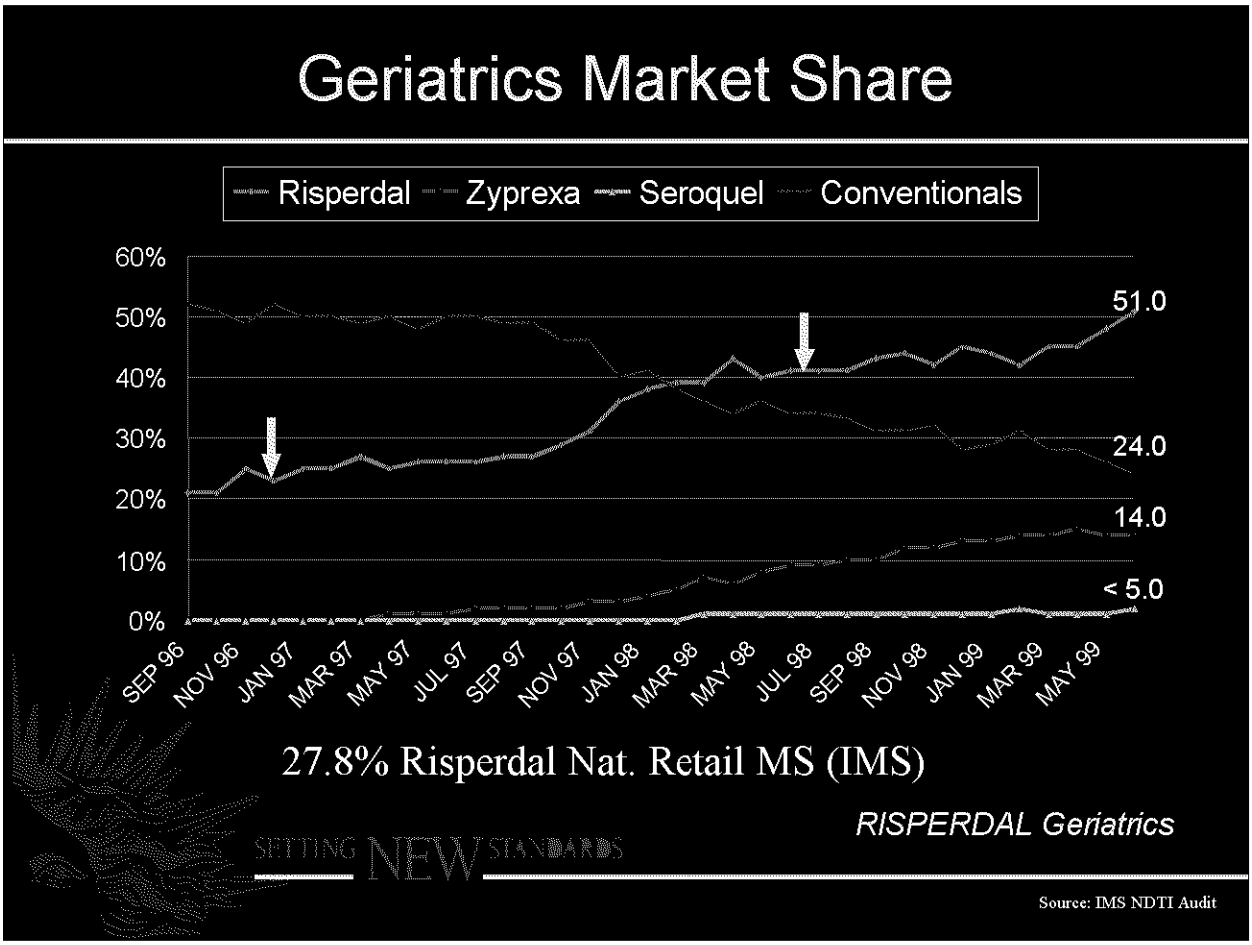
ASCP Hall of Fame Award, Nov. 1999

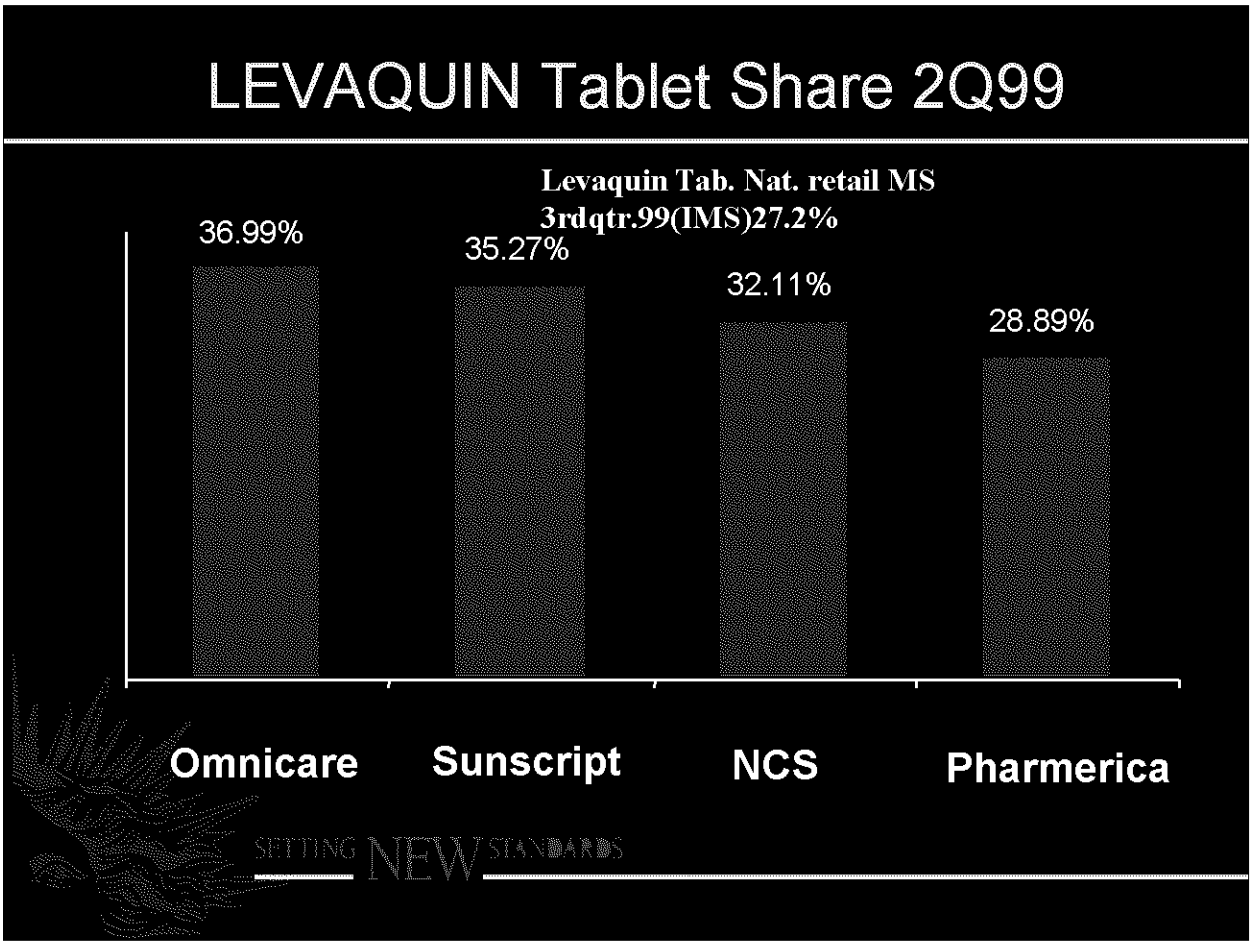
Source: IMS June 1999

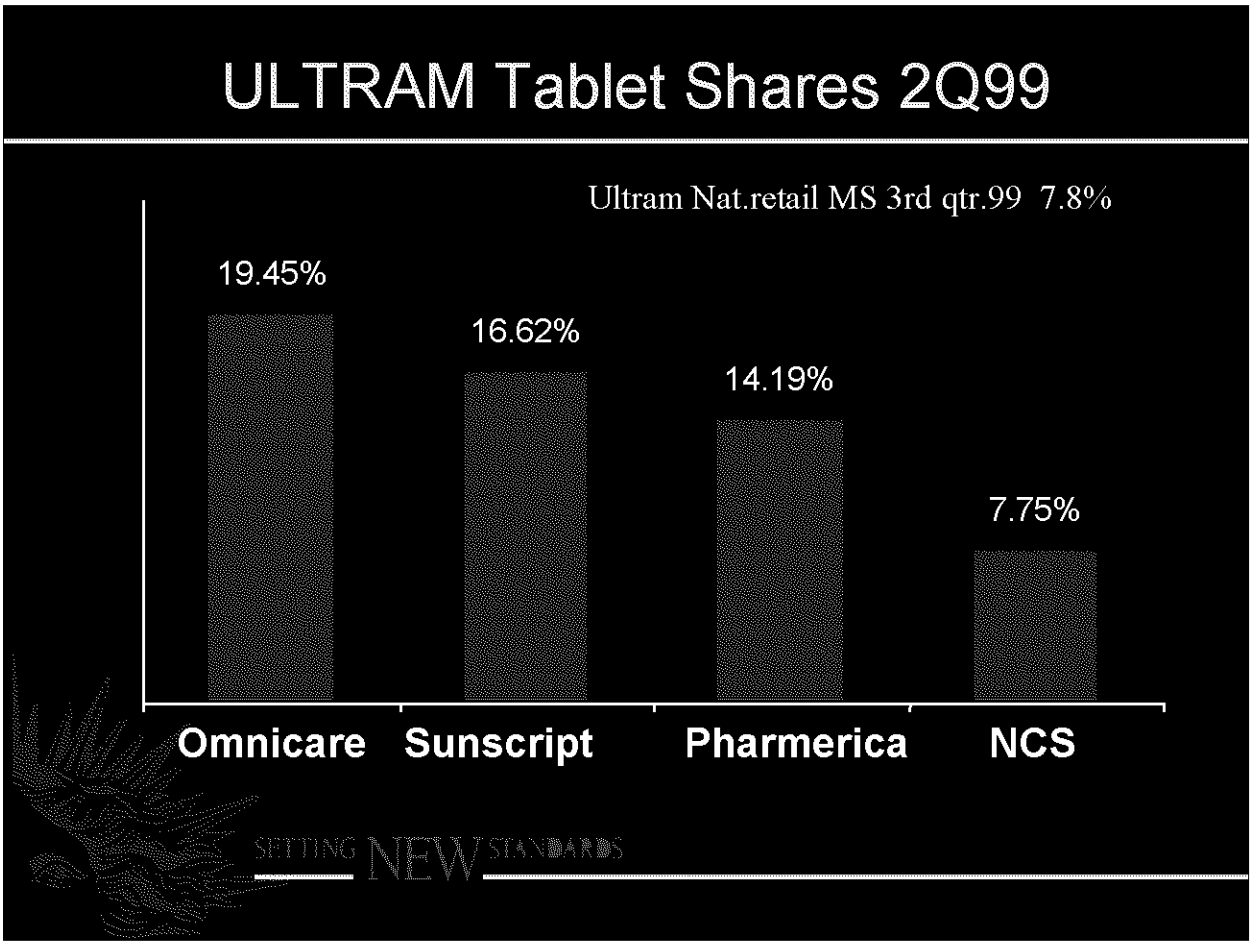
Key Customers - Tier I - LTCPP

Account	Beds Serviced 000	% of Market	Contract Status
Omnicare	612	36%	X
PharMerica	365	21%	X
Neighborcare	263	15%	UR
NCS Healthcare	248	14%	X
SunScript	67	4%	X
Vencare	55	3%	X

SETTING NEW STANDARDS


Geriatrics Market Share
Risperdal
Zyprexa
Seroquel
Conventionals
60%
50%
40%
30%
20%
10%
0%
51.0
24.0
14.0
< 5.0
SEP 96
NOV 96
JAN 97
MAR 97
MAY 97
JUL 97
SEP 97
NOV 97
JAN 98
MAR 98
MAY 98
JUL 98
SEP 98
NOV 98
JAN 99
MAR 99
MAY 99
27.8% Risperdal Nat. Retail MS (IMS)
SETTING NEW STANDARDS
RISPERDAL Geriatrics
Source: IMS NDTI Audit


LEVAQUIN Tablet Share 2Q99
Levaquin Tab. Nat. retail MS
3rdqtr.99(IMS)27.2%
36.99%
35.27%
32.11%
28.89%
Omnicare
Sunscript
NCS
Pharmerica
SETTING NEW STANDARDS


ULTRAM Tablet Shares 2Q99
Ultram Nat.retail MS 3rd qtr.99 7.8%
19.45%
16.62%
14.19%
7.75%
Omnicare
Sunscript
Pharmerica
NCS
SETTING NEW STANDARDS

Results

- PROCRIT®

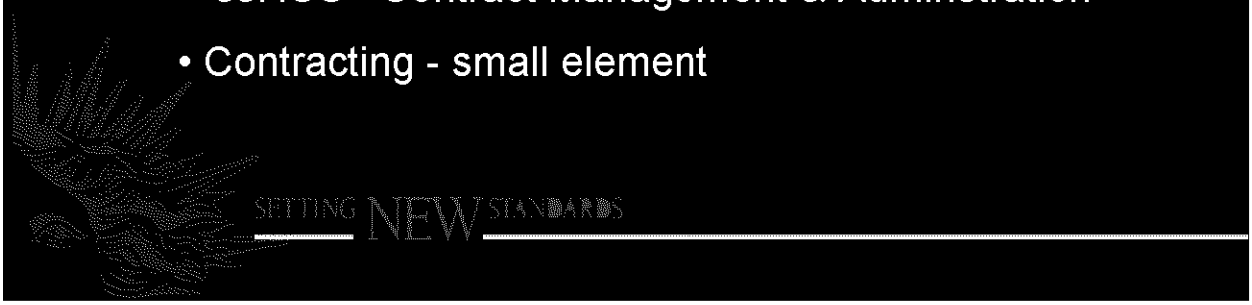
- Home Health Care
- ESRD Omnicare initiative
- (OBI estimates $100MM - $150MM)

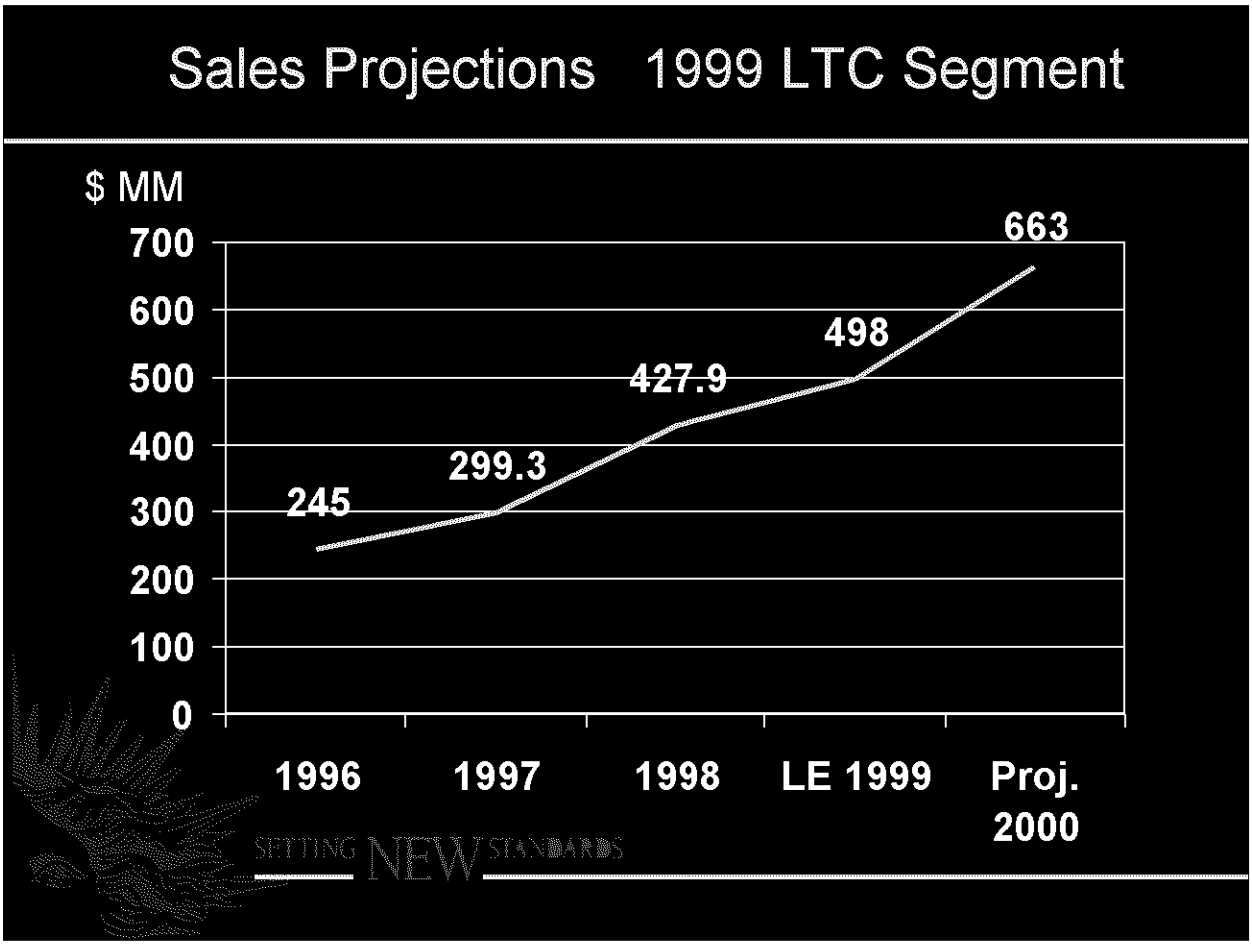
Lessons Learned

Lessons Learned

Role of LTC Managers:

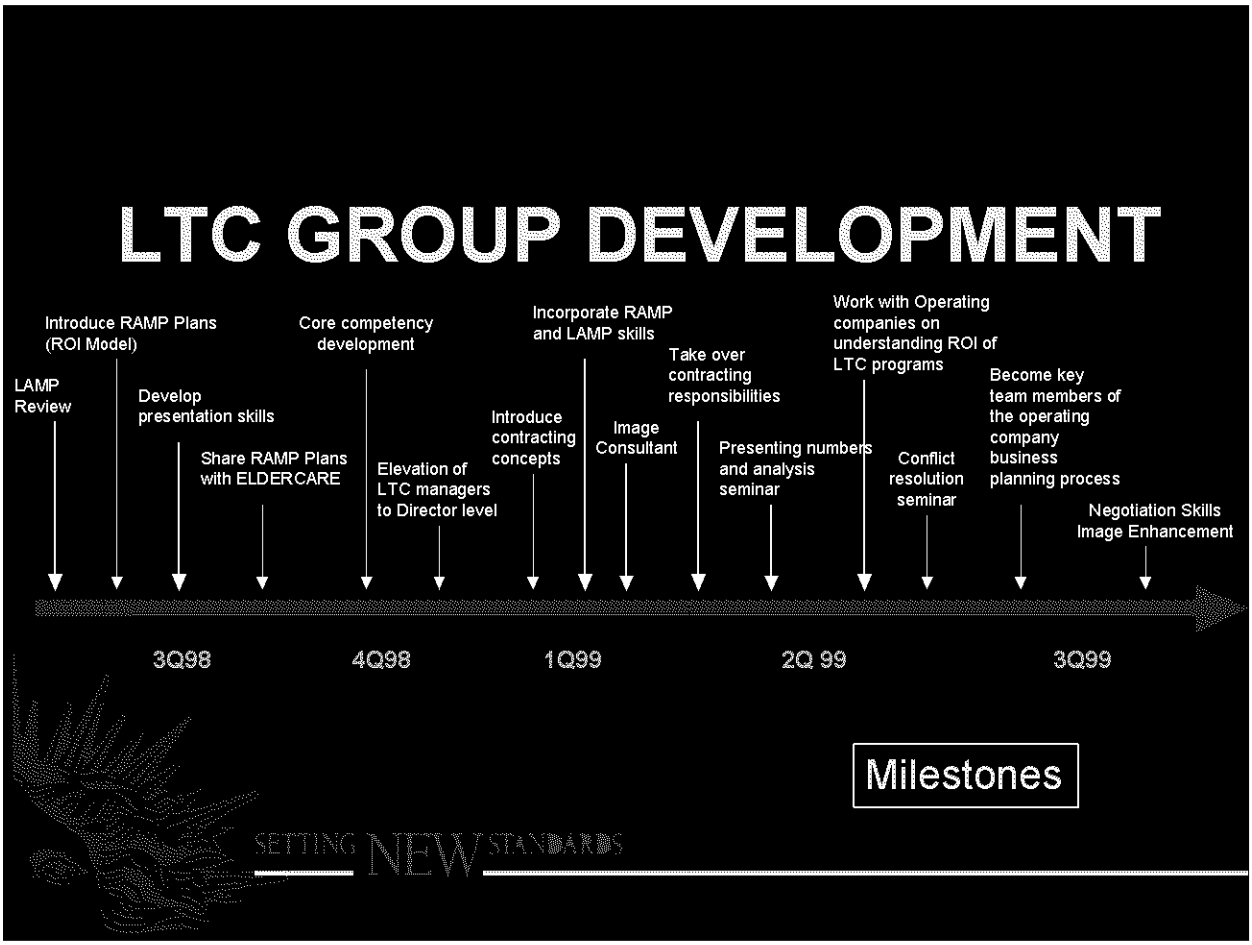
- Consultant Pharmacists - Extension of Sales Force Clinical Focus - Intervention Programs
- Focussed Pharma Effort
- Partnerships with : Marketing, Sales ,Account Management and Professional Services
- JJHCS - Contract Management & Adminstration
- Contracting - small element




Sales Projections 1999 LTC Segment
$ MM
700
600
500
400
300
200
100
0
245
299.3
427.9
498
663
1996
1997
1998
LE 1999
Proj. 2000
SETTING NEW STANDARDS

Future .....

- Continue to outpace market growth
- Customer Satisfaction Ratings
  "Stay in the top three"
- Strengthen metric system
- Expand initiative in Home Healthcare, Assisted Living and Nursing Home Chains


LTC GROUP DEVELOPMENT
LAMP Review
Introduce RAMP Plans (ROI Model)
Develop presentation skills
Share RAMP Plans with ELDERCARE
Core competency development
Elevation of LTC managers to Director level
Introduce contracting concepts
Incorporate RAMP and LAMP skills
Image Consultant
Take over contracting responsibilities
Presenting numbers and analysis seminar
Work with Operating companies on understanding ROI of LTC programs
Conflict resolution seminar
Become key team members of the operating company business planning process
Negotiation Skills Image Enhancement
3Q98
4Q98
1Q99
2Q 99
3Q99
Milestones
SETTING NEW STANDARDS

2000 Budget Projections - $MM

OE	JPI	OMP	OBI	Total
1998	1.521	.912	.608	3.042
1999	1.810	1.08	.734	3.620
2000	2.120	1.272	.848	4.240
%Var	+17%	+17%	+16%	+17%
PME				
1998	.500	.300	.200	1.00
1999	1.047	@OMP	.250	1.297
2000	1.195	.267	.428	1.712
% Var	+14%		+ -	+32%
GNE				
1998 (10)	.565	.339	.226	1.131
1999 (25)	2.25	TBD	NP	2.25
2000 (25)	2.50	TBD	NP	2.50
%Var	+11%5.815			+11%
Total 2000	5.815	1.539 (.567)	1.276	8.630 (9.197)

SETTING NEW STANDARDS

09/20/99

Follow Up Questions?

Q1. Will the transition help improve Customer satisfaction ratings?

Q2. Will the transition accelerate business growth / results?

Opportunities / Issues

1. Opportunity for other J&J companies
a) LifeScan
b) JJMI

Issues: Workload, Balancing priorities, Less time with phram. Products

2. Based at JJHCS

Issues: Different model, Clinical vs Contracting approach,
Distances away from Marketing, Sales, Account Management & PS

SETTING NEW STANDARDS

Next Steps….

1. Obtain consensus on - What's best for the business ?

2. Incorporate other J&J companies

3. Locate LTC person at each operating company

Omnicare

Timothy E. Bien

February 14, 2001

Mr. Bruce Cummins
LTC Account Director
Johnson & Johnson

REDACTED

Dear Bruce:

I want to respond to a statement from your e-mail of 2/13/01, and keep all discussions focused on the "big picture". Your statement was:

> "We want to see the contractual agreement with Zyprexa to end. We remain firm in this position"

This is the equivalent of me saying to Janssen:

> "We want to see all contracts for your products with Pharmerica, NCS, Neighborcare, and Sun to end. We remain firm in this position."

Janssen's position shows a total disregard for the current troubling situation, which I explained to you, and Dave Butler, that Omnicare finds itself in with State Medicaid departments. Medicaid departments in state after state are drastically reducing our reimbursement by millions of dollars. The reason they are reducing our reimbursement isn't because we have had rate increases, IT'S BECAUSE WE ARE SELLING MORE HIGH PRICED DRUGS (read Risperdal here) FOR THE PHARMACEUTICAL INDUSTRY!!

Let's discuss the big picture of the Omnicare/Janssen relationship based around Risperdal.

1) Omnicare will spend $173,128,000 on J&J products in 2001 (AWP). The next closest competitor of yours will realize $126,864,000 in Omnicare purchases (AWP). This gives J&J a favorable competitive edge of 36.5%!

2) Risperdal has over a 30-point market share advantage in Rx's compared to Zyprexa with Omnicare (including <u>all</u> Antipsychotics).

3) Head to head, Risperdal enjoys a 72.3% market share in number of scripts with Omnicare. (December scripts: Risperdal = 78,520; Zyprexa = 30,099)

4) Omnicare currently (Oct. & Nov. 2000) buys 6.48% of total Risperdal WAC dollars purchased in the entire U.S.

5) In U.S. WAC sales Zyprexa beats Risperdal by 58.9% to 41.04%. (Oct.-Nov. 2000)

6) IF WAC $ market shares in the U.S. were applied to Omnicare WAC $, Janssen would lose a $40,494,810 advantage over Lilly on an annualized basis!

	OMNICARE WAC PURCHASES OCT-NOV 2000	% OF TOTAL	U.S. % OF TOTAL	OMNICARE PURCHASES USING U.S. MARKET SHARES	OCR vs. U.S. VARIANCE OCT-NOV
Risperdal	$ 14,267,624	53.75	41.04	$ 10,893,056	$ <3,374,568>
Zyprexa	12,274,911	46.25	58.96	15,649,478	3,374,567
Total	$ 26,541,535	100.00	100.00	$ 26,542,535	$ 6,749,135

ANNUALIZED VARIANCE = $40,494,810

7) I am very appreciative to David Norton for his personal interest in the Omnicare relationship. I am further appreciative to him for listening to me and reacting after my last visit to see him.

Bruce, I met with you and Dave Butler face to face on January 18th and explained why we have a Lilly agreement. I asked both of you if Janssen had any anecdotes, or evidence, to suggest Omnicare was working for Lilly or against Janssen. You said no. I explained Omnicare's need for the $3.5 - 4.0 million the Lilly contract represents.

Therefore, I am angry by Janssen's stance. We all need to keep in mind the very successful relationship we have built together.

Sincerely,

Timothy E. Bien
Senior Vice President
Professional Services and Purchasing

Enclosure

C: David Norton
Anwar Feroz
David Butler
Andrew Weber
Rich Pierguidi

Smith, Jane

From: Maloney, Dan
Sent: Wednesday, January 17, 2001 2:08 PM
To: Cummins, Bruce [JAN]
Cc: Bien, Tim; Lehman, Mark
Subject: RE: Meeting Agenda - Thursday January 18th

Bruce,
I told you and Dave I have nothing further to discuss with you concerning Lilly. I don't know what you mean by things continue to manifest. If you have further issues discuss with Tim.

----Original Message----
From: Cummins, Bruce [JAN] [SMTP:BCummins@IBIUS.JNJ.com]
Sent: Wednesday, January 17, 2001 12:54 PM
To: drnaloney@omnicare.com; jasmith@omnicare.com; ocrdoc@Frontiernet.net
Cc: Butler, Dave [JAN]; Kim, Paul [HCS]
Subject: Meeting Agenda - Thursday January 18th

Dan,

Here is the agenda items that I would like to address during our meeting tomorrow. Joining me for this meeting will be Dave Butler and Paul Kim of JJHCS.

- ✓ Signing of Aciphex Transition Period Agreement
- ✓ Service Agreement and Monthly and Quarterly Reports
- ✓ Updates on Risperdal and Levaquin (December Reports?)
- ✓ Updates on Propoxyphene Initiatives
- ✓ ERI Intiative (Tim)
- ✓ Reminyl Opportunities (Tim)
- ✓ Web-Technology - GMR
- ✓ PPI Program (Aciphex)

- DR. HALZA - IFNS - GERMANY
  OCR CLINICAL RESEARCH
  WE WANT OUR $ BACK
- PACKAGING of SAMPLES
- BULK PURCHASING
- MAIL SERVICE

The issue of the contract that Omnicare recently signed with Lilly continues to manifest itself in a number of specific areas. It is essential that we speak with you and Mark, but Tim needs to know and to understand our concerns as well. I have asked Tim to join us for this meeting for that purpose. It has become a delicate problem to address internally.

I apologize ahead of time if we are a few minutes late. We will be on a conference call at 10:00 A:M, but we should be there if not by 11:00, a few minutes thereafter.

Regards,

Bruce Cummins

REDACTED

- LOBBYING HELP
  DEVELOP MESSAGE - "NEED TO SPEND MORE ON MEDS"
- REBATE CLEAN UP

Annual

New

RETURN TO TB'S DESK
11/15/00

720K Duragesic

~~1,800~~
~~650K~~
~~1,000~~ 1350 Marketing Agreement

189K Sporanox 125K
Nizoral 64K

2,709

1,600 RISPERDAL
~~1,209~~

3,709
150
3,809

227
300
400
927

$3,059

Risperdal Rx's

	Total Antipsychotics	% Risperdal	# Risperdal
Aug. '99	125,332	45.3	56,775
July '00	148,370	52.6	78,042
Variance	23,038	7.3	21,267

If Risperdal Market Share Grew to 52.5%

And # of Rx's Did **Not** Grow, Then

Risperdal Rx's in July '00

Would Be 65,924

Therefore, OCR Efforts To Grow Market Is Worth

12,118 Rx/Mo.

J & J STRATEGIC PRODUCTS

	U.S.	%	2 Q 00	%	Annualized
Atypicals					
Risperdal	319,961	(36.74)	$19,647,000	47.34	$78,588,000
Zyprexa	465,910	(52.77)	$17,397,800	41.91	$69,591,200
Seroquel	96,960	(10.98)	$4,455,600	10.75	$17,822,400
Total	882,831		**$41,500,400**		**$166,001,600**

Fluoroquinolones					
Levaquin	228,733	40.67	$3,441,800	60.36	$13,767,200
Cipro	276,863	49.22	$2,056,300	36.06	$8,225,200
Floxin	24,659		$77,700		$310,800
Tequin	20,560		$84,400		$337,600
Avelox	11,644		$42,300		$169,200
Total	562,459		**$5,702,500**		**$22,810,000**

Pain					
Ultram			$1,231,900		$4,927,600
Propoxyphene (Rx's = 60)			40,000 Rx's		160,000 Rx's

PPI's					
Aciphex	80,303	3.92	$297,300	1.56	$1,189,200
Prevacid	779,671	38.07	$15,089,400	78.97	$60,357,600
Prilosec	1,188,074	58.01	$3,720,300	19.47	$14,881,200
Protonix			$13,000		$52,000
Total	2,048,048		**$19,120,000**		**$76,480,000**
			19,107,000		

ANNUALIZED OCR INCREMENTAL

18,429,020
(18,019,464)

$ 36,448,484
POSITIVE VARIANCE VS LILLY

4,490,373
(3,001,882)

7,492,255
POSITIVE VARIANCE VS BAYER

PROBLEMS:

1) OCR is not being rewarded for obtaining new Rx's.

   (Growing the Pie -- ReView)

2) Much smaller providers are approaching same discounts as OCR.

SOLUTIONS:

- Growth component to all contracted products
- We need to find other new ways to differentiate OCR

SCRIPT VARIANCE OCT '99 - JUNE '00

	CLINICAL PROGRAM	Oct-99 Rx's	Jun-00 Rx's	VARIANCE	% VARIANCE
(1)	ACE	89,089	97,452	8,363	9.5
(2)	PPI	57,132	69,892	12,760	22.3
(3)	DEPAKOTE	22,947	25,585	2,638	11.5
(4)	ANTIDEPRESSANTS	135,980	165,344	29,364	21.6
(5)	ANTIPSYCHOTICS	134,789	152,150	17,361	12.9
(6)	COX II	40,072	47,871	7,799	19.5
(7)	H_2	50,993	52,322	1,329	2.6
(8)	HMG	19,414	24,870	5,456	28.1
(9)	OSTEOPOROSIS	32,800	42,397	9,597	29.3
(10)	SPIRONOLACTONE	12,266	17,673	5,407	44.1
	TOTAL	595,482	695,556	100,074	16.8

OMNI-MA 040788

Unknown

From: Forsthoefel, Tim [OMP]
Sent: Monday, May 17, 2004 7:13 AM
To: Ong, Gregory [HCS]; Timko, Kimberly [OMP]; Babey, Sandra [HCS]
Cc: Thurmond, Tracey [OMP]; Farley, Brett [HCSUS]; Butler, Dave [HCSUS]
Subject: RE: LTC "AIM" Proposal for Omnicare
Importance: High

Team – Let's be careful on communications. While questions and responses are well intended, it can add confusion.

Seth/Bob are asking for the fundamental business analysis, much to what we completed last year. This is beyond the "short game" of changes in contract.

- Investment vs Return vs Retail
- Impact from double dip (65% of sales)
- Downside from no contract (estimates, but impact can be large.. ie recent Procrit)

We'll need to update to what we did last year. See slides 13-15.

Let's let **Kim/Tim provide the response**, with **support from Greg, Tracey, Brett and Dave.**

Regards, Tim

-----Original Message-----
From: Ong, Gregory [HCS]
Sent: Friday, May 14, 2004 2:00 PM
To: Timko, Kimberly [OMP]
Cc: Forsthoefel, Tim [OMP]; Thurmond, Tracey [OMP]; Farley, Brett [HCSUS]
Subject: FW: LTC "AIM" Proposal for Omnicare

Kim,

Please let me know if I can be of any assistance in responding to Seth. As we discussed yesterday, if Omnicare share and volume remain the same (or grow), there is no impact to rebates paid (with the exception of DXL at a 50% tier.. currently at 11%, would move to 14%). On the downside, Omnicare would maintain a rebate below the lowest market share hurdles only if they maintained the $60 million quarterly sales volume.

-Greg

Greg Ong
Manager, Long Term Care Offer Development
Johnson & Johnson Health Care Systems Inc.

REDACTED

GOng@hcsus.jnj.com

have received this e-mail transmission in error, please reply to the sender, so that Johnson & Johnson Health Care Systems Inc. can arrange for proper delivery, and then please delete the message from your inbox. Thank you.

-----Original Message-----
From: Fischer, Seth [OMP]
Sent: Friday, May 14, 2004 10:43 AM
To: Babey, Sandra [HCS]; Spurr, Bob [OMP]; McCulley, Michael B. [JJCUS]
Cc: Bondi, Joseph [OMPUS]; Forsthoefel, Tim [OMP]; Timko, Kimberly [OMP]; Martin, David [HCS]; Butler, Dave [HCSUS]; Meisel, Kathryn A. [JJCUS]; English, Timothy [HCSUS]; Ong, Gregory [HCS]; Johnson, John [OBIUS]; Miller, Peter [JANUS]; Feroz Siddiqi, Anwar [JANUS]; Duato, Joaquin [OBIUS]; Chartier, Charles [HCSUS]
Subject: RE: LTC "AIM" Proposal for Omnicare

I would also like to know the impact both on and off contract for the products affected at Omnicare as well as what impact the loss of this account will have on National Sales and Market Share.

-----Original Message-----
From: Babey, Sandra [HCS]
Sent: Friday, May 14, 2004 10:33 AM
To: Spurr, Bob [OMP]; McCulley, Michael B. [JJCUS]
Cc: Fischer, Seth [OMP]; Bondi, Joseph [OMPUS]; Forsthoefel, Tim [OMP]; Timko, Kimberly [OMP]; Martin, David [HCS]; Butler, Dave [HCSUS]; Meisel, Kathryn A. [JJCUS]; English, Timothy [HCSUS]; Ong, Gregory [HCS]; Johnson, John [OBIUS]; Miller, Peter [JANUS]; Feroz Siddiqi, Anwar [JANUS]; Duato, Joaquin [OBIUS]; Chartier, Charles [HCSUS]
Subject: RE: LTC "AIM" Proposal for Omnicare
Importance: High

All

We are not presenting to Omnicare today as we have not received final JPI offerings -- so we unfortunately missed our customer commitment.

From a process perspective, we were looking to obtain the final recommendations across all Op Co and brands -- hopefully by end of day today. Our next step as usual, before going to any customer, is to have the final and specific contract offer review by legal. On this particular offer, Katie has requested a conference call to discuss live to ensure we have reviewed the all the implications of the agreement. She has appropriately requested that we (HCS) take the lead to secure this call which will be scheduled for early next week -- ASAP.

In this interest of keeping the process straight -- I will personally work with Tim English to coordinate the attorney reviews and involve the Op Co leads.

We have cancelled our meeting for today and BOUGHT a week of time from Omnicare (who is not very pleased right now). So, it is imperative we meet the deadline of next week.

I hope this adds clarity and additional confidence to the approach.

Please advise.

Sandy

Sandy Babey
Vice President, National and Regional Accounts
Managed Markets Group
Johnson & Johnson Health Care Systems

REDACTED

E-mail: sbabey2@hcsus.jnj.com

-----Original Message-----
From: Spurr, Bob [OMP]
Sent: Friday, May 14, 2004 10:04 AM
To: McCulley, Michael B. [JJCUS]
Cc: Babey, Sandra [HCS]; Fischer, Seth [OMP]; Bondi, Joseph [OMPUS]; Forsthoefel, Tim [OMP]; Timko, Kimberly [OMP]
Subject: FW: LTC "AIM" Proposal for Omnicare
Importance: High

Mike-

Attached is the most recent LTC contract offering for Omnicare. I am certain that this has been reviewed by you or your team, but I just wanted to revisit the compliance issue that I brought to you some weeks ago. Our discussion there was that we were comfortable with performance discounts to LTC pharmacy providers given the fact that they were volume based. In this latest agreement there are now volume discounts and market share performance rebates offered. If I recall the outside counsels position, they were fine with performance with volume purchases but not with market share offerings. I believe the LTC group is presenting this contract to Omnicare today Friday 14 May

Bob

-----Original Message-----
From: Thurmond, Tracey [OMP]
Sent: Thursday, May 13, 2004 9:23 PM
To: Fischer, Seth [OMP]
Cc: Bondi, Joseph [OMPUS]; Timko, Kimberly [OMP]; Spurr, Bob [OMP]; Brandt, Mary Beth [JANUS]; Fuschetti, Maggie [JANUS]; Farley, Brett [HCSUS]; Forsthoefel, Tim [OMP]; Ong, Gregory [HCS]
Subject: LTC "AIM" Proposal for Omnicare
Importance: High

Seth-

Please see the "AIM" Strategy for Omnicare below. Outlined is a quick comparative of old vs. new. This approach simply reallocates investments, placing the emphasis on high share/high volume accounts. There are no additional investments in this approach. The plan is to eliminate Levaquin IV incentives due to limited customer interest. The urgency around a new agreement is do to Procrit share loss of 30%.

Sales volume is defined as combined sales on J&J Strategic Brands

This approach should also open the door with PharMerica for Levaquin and Ditropan XL

Current Agreements				PROPOSED (AIM)	
	Sales Volume	Market Share Incentive	Rebate	Market Share	Rebate +
Levaquin® Tablets		<60% MS	= 0	>= 60%	
10%	$5MM-$20MM	4%			
		>= 60% MS	= 14%		
				$20MM-$60MM	4%
				>$60MM	5%
Ditropan® XL		<25%	= 0%	25.1%-41%	
4%	$5MM-$20MM	3%			
		25-34%	=		
4%				$20MM-$60MM	3%
		34.1-41%	=		
8%				>$60MM	4%
		41.1% - 49.9%	= 10%		
		>50%	= 11%		
Ultracet®		NA	4%		
4%	$5MM-$20MM	0%			
				$20MM-$60MM	0%
				>$60MM	2%

Tracey
Tracey Thurmond Watts
Ortho McNeil Pharmaceutical
National Account Manager

REDACTED

Unknown

From: Petro, Thomas [HCS]
Sent: Monday, July 22, 2002 9:39 AM
To: Butler, Dave [JANUS]; Caracci, Melanie [JANUS]
Cc: Brandt, Mary Beth [JANUS]; Neusner, Robert [JANUS]; Hepburn, Michael [JANUS]; Farley, Brett [JAN]; Cummins, Bruce [JAN]
Subject: RE: OmniCare Contract - Sporanox

Dave,

Please be aware the consulting and services agreements are under heavy scrutiny from the corporate legal team. All new C&S agreements or changes to existing consulting and services agreements must be at FAIR MARKET VALUE for the services being performed to be in line with Health Care compliance. Please see attached e-mail concerning service agreements and the notice below from Dave Carberry, Board Sponsor Health Care Compliance. I would recommend to try to make up the loss of rebates in another way.

RE: Service
greements Busines.

As part of the ongoing focus and attention to Health Care Compliance, Johnson & Johnson Corporate has requested that all Operating Companies initiate a self-assessment of their health care compliance performance. This initiative will commence in July, with the first phase ending in December 2002.

Johnson & Johnson Health Care Systems will begin the self-assessment process in August and will focus on the following modules over the next five months: consulting and service agreements, discounts & price concessions, educational programs, entertainment & gifts, and training. A report of findings, recommendations and corrective actions will be completed for each module. JJHCS is then required to file a final Assessment Report to Corporate by December 15, 2002. Future activities related to Phase 2 of this initiative will be communicated at a later date.

This is a priority for our company and we need to ensure that we achieve and maintain the highest level of compliance, commensurate with our Credo and our company's tactics and strategic objectives.

The self-assessment team will be headed by Howard Samms, HCS Audit Director, and supported by key members of the Health Care Compliance team. Please make every effort to support the team and this critical initiative over the next five to six months. Thank you for your cooperation.

Dave Carberry
Vice President, Finance
Board Sponsor, Health Care Compliance

Thomas Petro
Manager, Account Development
Johnson & Johnson Health Care Systems Inc

REDACTED

tpetro@hcsus.jnj.com

-----Original Message-----
From: Butler, Dave [JANUS]
Sent: Friday, July 19, 2002 4:12 PM
To: Caracci, Melanie [JANUS]
Cc: Brandt, Mary Beth [JANUS]; Neusner, Robert [JANUS]; Hepburn, Michael [JANUS]; Farley, Brett [JAN]; Cummins, Bruce [JAN]; Petro, Thomas [HCS]
Subject: RE: OmniCare Contract - Sporanox

Dear Melanie:

I spoke to Omnicare this afternoon and they are open to changing the Sporonox agreement. They did not have a good idea of where to switch the $4000 payment to. Can we add to the Consulting and Services agreement as a price increase of $1000 per quarter? your thoughts.

Regards,

Dave Butler
Long Term Care Group
REDACTED
dbutler3@janus.jnj.com

-----Original Message-----
From: Caracci, Melanie [JANUS]
Sent: Monday, July 08, 2002 6:01 PM
To: Butler, Dave [JANUS]
Cc: Brandt, Mary Beth [JANUS]; Neusner, Robert [JANUS]; Hepburn, Michael [JANUS]
Subject: OmniCare Contract - Sporanox

Dave,

We were looking at the cost impact of the OmniCare Sporanox purchases on Janssen business. Since the 25% rebate on OmniCare Sporanox purchases sets the best price, and the next best price is 20%, the Medicaid cost impact is about $1 million per year (avg $200k per % point) for the additional 5%. It may make sense for us approach OmniCare about reducing the rebate to 20%.

I made a comparison with the 1Q 02 data to see what the 5% change in rebate would cost OmniCare. The rebate reduction with the reduced rate is $4k, bringing the rebate payment from $21k to $17k. I have attached the comparison for your review. Since this is a minimal difference, we may want to consider this approach.

I would appreciate your thoughts or comments. Please give me a call.

Regards,
Melanie
<< File: Sporanox comparison.xls >>

Melanie Caracci
Senior Financial Analyst
Managed Care Finance

REDACTED

Tracking:

Recipient
Butler, Dave [JANUS]
Caracci, Melanie [JANUS]
Brandt, Mary Beth [JANUS]
Neusner, Robert [JANUS]
Hepburn, Michael [JANUS]
Farley, Brett [JAN]
Cummins, Bruce [JAN]

From: Donohue, Amy [LFS] [/O=JNJ/OU=LFSUSML/CN=RECIPIENTS/CN=ADONOHUE]
Sent: Wednesday, September 04, 2002 1:01 AM
To: Petro, Thomas [HCS]
Subject: OMNICARE INFO

Welcome back from vacation. I hope you had a nice time. I have never been able to dig out of email since I came back (several weeks ago.) Oh well!!! If it's really urgent they will find me!!!
I do not think I sent you the financials for the pricing (which was approved) or the final proposal to Omnicare. So here they are.
Ann and Denny and Bruce went into O this am and got hammered re Healthcare Compliance. We had several meetings this afternoon (incl. one with our HCC Officer and VP Legal) and prepped them with additional info. Just an FYI.

Regards,
AMY
Amy M. Donohue
Sr. Manager
GPO, IDN, LTC Marketing

adonohue@lfsus.jnj.com

REDACTED

adm

SUPPLY AGREEMENT

BETWEEN

OMNICARE, INC.
2800 Chemed Center
255 East 5th Street
Cincinnati, OH 45202
Att: Dan Maloney, Director of Purchasing
REDACTED

Referred to as: "Manager"

AND

Johnson & Johnson Health Care Systems Inc.
425 Hoes Lane
P.O. Box 6800
Piscataway, New Jersey 08855-6800
Att: Contract Administration
REDACTED

Referred to as "Supplier"

DATE: March 31, 1997

TERM: From: April 1, 1997
To: March 31, 2000

CONTRACT NUMBER: [Number to be assigned]

SIGNATURES

MANAGER
By _____ 4/8/97
Name: Dan Maloney Date
Title: Director of Purchasing

SUPPLIER
By _____ 4/8/97
Name: Dennis A. Sherrill Date
Title: Corporate Account Director

By _____ 4/9/97
Name: Sanjay P. Shah Date
Title: Manager, Business Analysis

INTRODUCTION

Agreement. This Agreement is an agreement for the supply of certain Products listed herein. Furthermore, under this Agreement, Supplier shall pay Manager a performance rebate for select Products, designated by Supplier as Strategic Products and that are listed, at minimum, "Acceptable" on all formularies used by Manager in the management of drug Benefits. Supplier will pay rebates to Manager in amounts based on the utilization of the Products by the patients covered under Benefits managed by the Manager. This Agreement supersedes all prior agreements between Manager and Supplier or any of its affiliates with respect to any of the Products covered by this Agreement, and is comprised of the following documents:

Cover Page
Introduction
General Terms and Conditions
Administrative Terms and Conditions
Affiliate Specific Terms and Conditions
Performance Measurement / Rebate Eligibility
Performance Tiers/Rebate Percentages
Full Product Put-Up Lists (Exhibit A)
Defined Markets (Exhibit B)
Format for Electronic Data Submission (Exhibit C)
Schedule of Qualifying Active Intervention Programs and Appropriate Utilization Programs (Exhibit D)
*List of Manager-owned Closed Pharmacies [Participating Sites] (Exhibit E)
*List of Prime Vendors (Exhibit F)
Certification of Own Use (Exhibit G)

* To be furnished initially and updated subsequently with Utilization Reports

Parties.

Supplier is a New Jersey corporation and a wholly-owned subsidiary of Johnson & Johnson, a New Jersey corporation. It is Supplier's mission to provide Manager with one interface to high quality Johnson & Johnson products and health management programs as well as other products and programs from selected partners. Supplier coordinates the consumer, diagnostic, medical & surgical, and pharmaceutical expertise of Johnson & Johnson's affiliates to emphasize wellness, provide early diagnosis, deliver cost-effective treatment and encourage health maintenance. Supplier is responsible to Manager for compliance with all the provisions of this Agreement and will cause its affiliates to cooperate with Manager in that endeavor.

Manager is a Cincinnati, Ohio based publicly held corporation. Manager is an independent provider of professional pharmacy and related services for long term care initiatives such as nursing homes, retirement centers, home healthcare and other institutional healthcare facilities.

GENERAL TERMS AND CONDITIONS

1. ***Subordination.*** In case of an inconsistency between any provision of these General Terms and Conditions and any other provision of this Agreement, such other provision shall govern.

2. ***Changes in Products.*** If the regulatory status of a Product changes from "prescription" to "over-the-counter", then Supplier or Manager may delete that Product from the Product Lists by written notice to the other party. Supplier may discontinue or modify any Product at any time.

3. ***Term.*** The term of this Agreement is set forth on the cover page hereof. Either party may terminate this Agreement earlier by giving 30 days' notice to the other party. The provisions of these General Terms and Conditions shall survive termination of this Agreement.

4. ***Notices.*** Any notice given in connection with this Agreement shall be sufficient if in writing and delivered by messenger or sent by postage prepaid mail or by facsimile to the address of the recipient as set forth on the cover page to this Agreement or as changed by the recipient by notice given hereunder. Notices or communications shall be effective when received by or otherwise known to the recipient or its legal representative. This provision is not intended to be exclusive, and any notice actually received shall be sufficient.

5. ***Entire Agreement.*** This Agreement constitutes the entire agreement between the parties concerning the Products and subject matter hereof and supersedes all prior negotiations, agreements and understandings between the parties, whether oral or in writing, concerning the Products and subject matter hereof. This Agreement may be modified only in writing signed by the party against whom such modification is asserted provided that the terms of any purchase order, invoice or similar document used to implement this Agreement shall not modify and shall be subject to this Agreement.

6. ***Assignment.*** Neither party may assign this Agreement or any of its rights or obligations hereunder without the prior written consent of the other party. For purposes of this paragraph, assignment shall include any assignment by operation of law and any change in control of a party.

7. ***Independent Contractors.*** The parties hereto are independent contractors engaged in the operation of their own respective businesses. Nothing herein shall be construed to create any other relationship between the parties.

8. ***Publicity.*** Neither party shall permit or generate any publicity, advertising or promotion concerning this Agreement without the prior written consent of the other party.

9. ***Confidentiality.*** Neither party shall use information contained in this Agreement for any purpose not contemplated by this Agreement, and each party shall restrict access to this Agreement to personnel within its organization who need such access in order to perform duties related to the implementation of this Agreement.

10. ***Legal Changes.*** If any governmental entity shall enact or amend a law or adopt or amend a regulation, or if any governmental entity or court of competent jurisdiction shall adopt or amend an interpretation of a law or regulation, or if a judgment/award is rendered in litigation/arbitration, that has the effect of (a) prohibiting any right or obligation of a party under this Agreement, (b) making any such right materially less valuable or any such obligation materially more burdensome to a party, or (c) changing materially the economic conditions underlying any portion of this Agreement, then such party may upon notice to the other party terminate immediately such right, obligation or portion of this Agreement insofar as such law, regulation, interpretation, judgment or award applies.

11. ***Force Majeure.*** Noncompliance with any obligation under this Agreement for reasons of *force majeure* (such as: acts, regulations or laws of any government; war or civil commotion; destruction of production facilities or materials; fire, earthquake or storm; labor disturbances; failure of public utilities or common carriers; and any other causes beyond the reasonable control of the party affected) shall not constitute a breach of this Agreement.

12. ***Dispute Resolution.*** Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The arbitration shall be held in New Jersey and the arbitrator shall apply the substantive law of New Jersey, except that the interpretation and enforcement of this arbitration provision shall be governed by the Federal Arbitration Act. The arbitrator shall not award any party punitive or consequential damages, and each party hereby irrevocably waives any right to seek such damages in arbitration or in judicial proceedings.

13. ***Insurance.*** Supplier is a member of the Johnson & Johnson Family of Companies, the largest manufacturer of health care products in the world, and it therefore has access to insurance and other financial resources sufficient to enable it to meet any financial obligation reasonably foreseeable under this Agreement.

14. ***Warranties and Remedies.*** In addition to the express warranties contained in the Special Terms and Conditions, Manager shall have the benefit of the warranties implied by the laws of the State of New Jersey governing the sale of goods. In case of breach of this Agreement by either party, the non-breaching party shall have the benefit of the remedies provided by the laws of the State of New Jersey governing the sale of goods, except that neither party shall have the right to consequential or punitive damages, both of which are hereby irrevocably waived by each of the parties. Supplier warrants that in furnishing the Products, Supplier, its affiliates and the Products will comply with all applicable Federal, State and local laws and regulations relating thereto, including (without limitation) the Federal Food, Drug and Cosmetic Act.

15. ***Indemnity.*** Supplier shall indemnify, hold harmless and defend Manager from and against all claims of bodily injury or intellectual property infringement made by third parties and arising out of the use of a Product, provided that, Manager shall give Supplier prompt notice of any such claim, permit Supplier to control the litigation and/or settlement of such claim, and cooperate fully with Supplier in all matters related thereto. This indemnity shall not apply to any claim insofar as it arises out of the negligence or misconduct of Manager.

16. ***Execution.*** This Agreement will not be considered valid until all required signatures as indicated on the Cover Page have been affixed.

ADMINISTRATIVE TERMS AND CONDITIONS

1. ***Definitions.*** In this Agreement the following terms shall have the meanings assigned to them below.

a) **"Active Intervention Program"** shall mean a program, applied by Manager and accepted by Supplier in writing, which is designed to appropriately shift market share to Supplier's Product. Active interventions can include, but are not limited to, disease management initiatives, written correspondence to Participating Providers prescribing or dispensing pharmaceutical products, educating nursing home staff regarding Supplier's Products, conducting clinical intervention programs through which consultant pharmacists recommend Supplier's Products when appropriate.

b) **"Appropriate Utilization Program"** or "AUP" shall mean a program applied by Manager, and accepted in writing by Supplier, designed to cause the appropriate use of Supplier's Product(s). Supplier approves AUP set forth on the Schedule to Qualifying Interventions (Exhibit D).

c) **"Aggregate Price"** shall mean an amount equal to the aggregate of the number of units of each line item of each Product purchased during the Base Year multiplied by the current Contract Price for each line item.

d) **"Base Year"** shall mean the first twelve (12) month Term of this Agreement.

e) **"Benefit"** shall mean a drug or medical equipment benefit which is managed by Manager and under which products are dispensed in accordance with one or more Formularies controlled by Manager.

f) **"Closed Pharmacy"** entity shall mean one that is not open to the public for retail sales.

g) **"Contract Price"** shall mean the price of Products as outlined in Exhibit A "Full Product Put-List".

h) **"Contract Year"** shall mean the annual period between [insert period] {likely to be April 1st until March 31st}.

i) **"DACON"** shall mean the daily average consumption. The measure, based upon FDA-approved dosing and indication for products, is used for calculating market share that is based upon days of therapy. DACON is specified in Exhibit B for Supplier's and competitive Products as agreed to by both parties. DACON will remain constant for the life of this Agreement unless modified in writing by both parties.

j) **"Defined Product Market"** shall mean the list of products included in the therapeutic categories in which each Product competes as listed herein as Exhibit B.

k) **"Formulary"** shall mean a list of products that Manager has determined reflects the most appropriate drug or medical equipment therapy to be dispensed by the Participating Providers for fulfillment of prescriptions to Residents. Participating Providers shall be encouraged by Manager, through mechanisms like Active Intervention Programs, to use Formulary products for fulfillment of prescriptions for Residents.

l) **"Hard Edit"** shall mean an on-line electronic lock out of all NDC codes or other prospective processes, employed by Manager and accepted in writing by Supplier, for specific products. Hard Edit is a mechanism that permits Manager to control the distribution of such specific products.

m) **"Manager"** shall have the meaning described on the cover page and Introduction of this Agreement.

n) **"Market Share Report"** shall mean a report, in an electronic format reasonably requested by Supplier, summarizing the Benefit utilization of each Product compared with the Benefit utilization of products in the relevant Defined Product Market. This report will include all brands or generics within the therapeutic category. Exhibit C specifies the format.

o) "NDC" shall mean National Drug Code.

p) **"Net Sales"** Contract Price Minus rebates or discounts.

q) **"Participating Provider"** shall mean and refer to any one or more physicians, physician or medical groups, specialists, hospitals, skilled nursing facilities, extended care facilities, home health agencies, alcoholism or drug abuse centers, or mental health professionals who or which are duly licensed and qualified to practice and prescribe medications in the state of their practice and which are duly authorized to provide medical, hospital, or other treatment services to Residents.

r) **"Participating Site"** shall mean a Manager-owned Closed Pharmacy that dispenses Products under a Benefit to Manager's Residents and is a party to this Agreement.

s) **"Performance Tier"** shall mean a performance goal, established by Supplier and as set forth in the schedule attached hereto as "Performance Measurement and Rebate Matrix", on a per Product basis. A specific rebate percent shall be specified for each Performance Tier, and such rebate percent shall be earned by Manager upon Supplier validating Manager's compliance to the performance requirements associated with earned Performance Tier. Unless otherwise specified herein, Performance Tiers are based on market share performance.

t) **"Price Lists"** shall mean the attachments hereto which describe the prices of the Products. Exhibit A "Full Product Put-Up List" and the "Performance Measurement and Rebate Matrix" specify the Product price and applicable rebate percent.

u) **"Prime Vendor"** shall mean the wholesaler or distributor designated by Manager or Participating Site(s) to facilitate the distribution of Products.

v) **"Product(s)"** shall mean the Supplier's product(s) listed on Exhibit A.

w) **"Product Lists"** shall mean the lists of Products covered by this Agreement and described in Exhibit A.

x) **"Product Market Days of Therapy"** shall mean the sum total of Units Utilized of the products in a Defined Product Market category divided by the DACON of the respective products.

y) **"Product Market Share"** The sum total of the Units Utilized of a Product divided by its DACON divided by the Product Market Days of Therapy for the relevant Defined Product Market Category.

z) **"Resident"** shall mean a person receiving a Benefit that is provided by the Manager and/or one of the Participating Site.

aa) **"Strategic Products"** These Products are FLOXIN® ofloxacin, LEVAQUIN® levafloxacin, RISPERDAL® risperidone, ULTRAM® Tramadol, DURAGESIC® fentanyl transdermal system and PROCRIT® epoetin alfa. Only Strategic Products, as defined here, are eligible to earn the performance-driven rebates specified in "Performance Measurement and Rebate Matrix"

bb) **"Supplier"** shall have the meaning described on the cover page of this Agreement.

cc) **"Units Utilized"** shall mean the number of units (tablets, grams, tubes, mls etc..) dispensed to Residents for a given period.

dd) **"Utilization Report"** shall mean a report, in an electronic format reasonably requested by Supplier and sent by separate notice, of the Units Utilized of each product in the Defined Product Market, dispensed under Benefits to Residents. This report will include all brands or generics within the therapeutic category. Exhibit C specifies the format.

2. Participating Site.

a) Manager warrants that the list of its sites attached hereto is accurate and current. Manager also accepts that each site meets the definition of Participating Site described in Article 2.B below and all other requirements of this Agreement. Manager shall notify Supplier's Contract Administration group described on the cover page of this Agreement of any change in the composition of its group of sites within 15 days thereafter.

b) To be eligible for recognition as a Participating Site, a facility must be based and operated in the U.S., and not compete with retailers serving the general public. Normally, the following entities would be eligible: closed-pharmacy staff model health maintenance organizations, closed-pharmacy long-term care providers, surgical centers, home infusion providers, closed-pharmacy clinics, and assisted living facilities or home healthcare serviced through a Closed Pharmacy.

c) A Manager site shall be party to this Agreement (Participating Site) if and so long as there remains in effect (i) such site's declaration of Participating Site status, and (ii) Supplier's recognition of such status. A Manager site may declare its status as a Participating Site (subject to recognition by Supplier) by written notice to Supplier. Such notice shall also designate a Prime Vendor for the site. A Participating Site may revoke its status as such at any time by written notice to Supplier. Supplier's recognition of a Participating Site's status as such shall be assumed unless otherwise notified by Supplier in writing to Manager. It is understood that Supplier will not recognize a Manager's site as a Participating Site for the purposes of more than one agreement of this type.

d) Preferably within 30 days (but no later than 90 days) after acquiring any facility that meets the definition of a Participating Site as described in Article 2.B above, Manager shall notify Supplier's Contract Administration described on cover page of this Agreement of such acquisition and the number of Residents involved. Manager shall not submit for rebate any utilization occurring from such Residents until the facility is recognized by Supplier as a Participating Site per article 2.C above. Exceptions to this criteria can be negotiated between the parties and agreed to in writing.

3. Participants.

a) Manager warrants the accuracy of the Residents, Benefits, and Participating Site information attached hereto, and Manager shall update aggregate information each calendar quarter in the form reasonably requested by Supplier (Exhibit C).

b) With each quarterly data submission Manager will identify for Supplier changes to the number of Residents. The addition of Residents must meet the criteria of Supplier under 3.C below, accompanied by a written consent from Supplier prior to any rebate eligibility from Product utilization occurring as a result of such change. Such consent shall not be unreasonably withheld.

c) Each rebate with respect to a transaction involving a particular Benefit or Resident shall be conditioned upon Supplier's recognition hereunder of such Benefit or Resident. It is understood that among those which will not be recognized are (i) non-U.S. Benefits and non-U.S. Residents, (ii) Benefits for which Manager acts primarily as an administrator of benefits with little or no influence over management of Benefit formularies, (iii) Residents with respect to which Supplier is obligated to pay rebates or any form of incentives under prior agreements with third parties.

4. Utilization and Market Share Reports.

a) Within 60 days after the end of each calendar quarter, Manager shall provide Supplier with a Utilization Report and a Market Share Report for such quarter. Manager will supply utilization for all Products including generics as outlined in the Defined Product Market exhibit. Manager hereby warrants the accuracy of such reports.

b) The Utilization Report and the Market Share Report for each calendar quarter shall be subdivided and aggregated by Manager to provide information by (i) individual Participating Sites, and (ii) aggregate of all Participating Sites meeting the terms and conditions of this Agreement.

c) Manager shall certify satisfaction of meeting all non-market share and non-quantitative performance requirement(s) for Products. Such certification shall occur through quarterly submission by Manager of the "Manager Checklist for Non-Quantitative Requirements" worksheet included in Exhibit C. Supplier and Supplier's authorized representatives have the right to audit Participating Sites to ensure compliance to this performance requirement.

d) Any data or information exchanged between the two parties pursuant to this Agreement shall be used by the parties solely for the express purpose for which it is provided, and confidentiality of all such data or information shall be preserved.

5. Contract Prices and Rebates.

a) To earn any individual Strategic Product rebates under this Agreement, all Strategic Products must be (i) on Manager's Formulary(s) as "Acceptable" for FDA-approved indications for Manager (ii) included on Formulary(s) without any competitive disadvantage and (iii) As and when provided in the Schedule of Qualifying Interventions (Exhibit D), each Strategic Product must have an Active Intervention Program, applied by Manager in the favor of the Product, to be eligible for rebates for that Product.

b) Supplier shall pay to Manager the rebates described on the "Performance Measurement and Rebate Matrices" with respect to each Strategic Product dispensed to a Resident under a Benefit if (i) no negative promotional activities (e.g. counter-detailing) are undertaken against such Strategic Product, and (ii) the other requirements of this Agreement have been met.

c) The aggregate rebate for each calendar quarter shall be paid by Supplier to Manager within 60 days after receipt by Supplier of the Utilization and Market Share Report as well as completion of the worksheet certifying satisfaction of non-quantitative performance requirements for such quarter. The rebate shall be paid if Manager has performed in accordance with the conditions described under "Performance Measurement and Rebate Eligibility". Payment shall be by check or electronic wire transfer.

d) The calculation used by the parties to determine the rebate owed to Manager is to multiply the sum of the Product Units Utilized by their respective Contract Price (as per the attached Exhibit A) times the Rebate Percentage for the performance level earned as per the requirements in the Performance Measurement and Rebate Eligibility and Performance Measurement Rebate Matrices.

e) The Contract Prices of the Products shall be as described on the Price Lists (Exhibit A). Supplier agrees to limit Contract Price changes for the Products to one change per line item for each twelve (12) month period of this Agreement, "Contract Year". If Manager's unit product purchases during any Contract Year meet or exceed the prior Contract Year's unit product purchases, Supplier guarantees that aggregate pricing in the following Contract Year will not increase more than 2% of the previous Contract Year's total sales dollars plus an adjustment based on the Consumer Price Index, "CPI",. The CPI adjustment shall be calculated as follows:

i) The "Base CPI" shall be the U.S. City Average CPI-U for all items for the Calendar Year two years prior to the year in which the adjustment is being calculated.

ii) The "New CPI" shall be the U.S. City Average CPI-U for all items for the Calendar Year prior to the year in which the adjustment is being calculated.

iii) Subtract the Base CPI from the New CPI; if the remainder is zero or a negative number there will be no adjustment to the price increase. If the remainder is a positive number, divide the remainder by the Base CPI and multiply the quotient by 100 to arrive at the percentage increase in the CPI. Add 2.00 to this percentage, the sum is the maximum percentage by which prices can increase.

For example, if the adjustment were being calculated in 1996 the Base CPI would be the U.S. City Average for 1994 (148.2) and the New CPI would be the U.S. City Average for 1995 (152.4). The calculations would be as follows: 152.4 - 148.2 = 4.2, 4.2 ÷ 148.2 = 0.0283, 0.0283 X 100 = 2.83%, 2.83% + 2 = 4.83% - the maximum price increase for the 1997 Contract Year.

In the event that the method of calculating the CPI is modified by the Department of Labor during any Contract Year, future CPI calculations shall be adjusted by any conversion factor published by the Department of Labor or other generally recognized and accepted source. If no conversion factor is available or if the revised CPI does not accurately reflect the true change in the cost of goods and services the parties shall use any other generally recognized and accepted index. If the parties are unable to agree on either a conversion factor or replacement index then the price increase guarantee above shall be of no further force and effect.

Should Manager's total unit purchases not equal the prior year's unit purchases, then Supplier reserves the right to raise prices in excess of the aforementioned guideline. Any discontinued or new product available for less than twelve (12) months will not be considered for purposes of the prior Contract Year's sales volume calculations.

f) Supplier may from time-to-time impose reasonable punctuality (generally recognized as claims older than 180 days following the close of a quarter) and *de minimis* restrictions on rebate claims via policy notices to Manager. Supplier shall give Manager reasonable time to comply with any such restrictions.

6. Ordering/Distribution

a) Each Participating Site shall order from and return Products to its Prime Vendor. Contract Prices hereunder shall be available to a Participating Site within 60 days after receipt by Supplier from the Participating Site of the Participating Site's Prime Vendor designation.

b) Purchases through a Prime Vendor will be subject to the payment terms, service fee (including without limitation any "up charge" or addition to the prices of Products) and shipping terms that the Participating Site has negotiated with its Prime Vendor. Actual delivery of Products shall be the responsibility of the Prime Vendor.

7. Own Use

Manager warrants that all Products will be dispensed through Closed Pharmacy and used by the Participating Sites solely on Residents, inpatients, staff, employees and students for their own or their dependents' use and not for resale in retail outlets. Each Participating Site shall have on file with Manager certification (Exhibit G) substantially to the above effect. Manager's acceptance of this Agreement will serve as a certification to the above effect.

8. **Audit**

Manager must at all times maintain computer systems capability to accurately track the Resident, Benefit, Product and Participating Site information necessary to implement this Agreement. Supplier shall have the right, upon reasonable notice and during regular business hours, to audit the Manager's books and records to determine the accuracy of Utilization and Market Share Reports and compliance with this Agreement.

PRODUCT SPECIFIC TERMS AND CONDITIONS

PROCRIT® (Epoetin alfa)

PROCRIT® (Epoetin alfa) is promoted for non-dialysis use only. Supplier will not honor payments of prime vendor discounts associated with this Agreement, for any purchases made by the Manager or Manager's Participating Sites, for any Epoetin alfa usage by patients receiving dialysis treatment. Dialysis Centers are excluded from receiving discounts or rebates for PROCRIT (Epoetin alfa) under this Agreement.

PERFORMANCE MEASUREMENT AND REBATE ELIGIBILITY

A rebate shall be paid on each Product included in Product List (Exhibit A), according to and if the following performance criteria are met quarterly:

1. **This Agreement pilots a new concept for Supplier to evaluate performance on basis of DACON (Daily Average Consumption). Consequently, Supplier retains the right to modify the performance evaluation measurement based on DACON after the first year of this Agreement. In this case, both parties will develop a mutually acceptable performance measurement criteria or else terminate this Agreement as per the "Term" provisions under Article 3 of General Terms and Conditions.**

2. Annual Strategic Product Performance Rebate shall be earned on Strategic Products that have an Active Intervention Program (AIP) or Appropriate Use Program (AUP) applied in their favor.

   a) An additional rebate of 1% off Contract Price shall be earned on the annual utilization of select Strategic Products described on Schedule D. This rebate shall be in addition to any quarterly rebates earned as per the "Performance Measurement and Rebate Matrix" grid. The rebate shall be paid in accordance of Article 5 "Contract Prices and Rebates" once Supplier has evaluated Manager's satisfaction of meeting the performance criteria described in Exhibit D "Schedule of Qualifying Interventions". The performance shall be evaluated in aggregate at the end of each Contract Year.

   b) Supplier views the "Strategic Product Performance Rebate" as a year-end bonus, recognizing successful completion of a Contract Year and the relationship between the two parties. In case this Agreement is terminated in middle of any year, Supplier will not be obligated to pay Manager any "Strategic Product Performance Rebate".

   c) The AIP/AUP initiatives will be developed jointly by the two parties and described under Exhibit D "Schedule of Qualifying Interventions" as described in paragraph "D" of this section.

   d) At the time this Agreement is executed, the Strategic Product Performance Rebate shall be considered for Supplier's Strategic Products for Chronic Pain Management (DURAGESIC® and ULTRAM®), Atypical Antipsychotic (RISPERDAL®) and Anti-Infective (FLOXIN®) IF each one of these Products meet or exceed the performance level described in Exhibit D on an aggregated annual basis evaluated at the end of each Contract Year.

e) As and when provided in the Schedule of Qualifying Interventions (Exhibit D), each Strategic Product must have an Active Intervention Program, applied by Manager in the favor of the Product, to be eligible for Strategic Product Performance Rebates on that Strategic Product. Upon written approval of Supplier, an Appropriate Utilization Program may fulfill this requirement. Supplier hereby approves as an AIP each Program set forth on the Schedule of Qualifying Interventions (Exhibit D). It is the responsibility of Manager to provide Supplier with notice that AIP/AUP programs are in effect, together with a brief description thereof. Manager agrees to meet with Supplier within 30 days of executing this Agreement to develop a business plan that includes the initial Schedule of Qualifying Interventions. A meeting shall occur every quarter between the two parties to review the progress on the business plan. The business plan and the performance goals for earning the Strategic Product Performance Rebate may be revised on an annual basis.

f) Upon written approval of Supplier, an Appropriate Utilization Program may fulfill this requirement. Supplier hereby approves as an AIP each Program set forth on the Schedule of Qualifying Interventions (Exhibit D). It is the responsibility of Manager to provide Supplier with notice that AIP/AUP programs are in effect, together with a brief description thereof. Manager agrees to meet with Supplier within 30 days of executing this Agreement to develop a business plan that includes the initial Schedule of Qualifying Interventions. A meeting shall occur every quarter between the two parties to review the progress on the business plan. The business plan may be revised on an annual basis.

3. At a future date, both parties shall meet and expand the Schedule of Qualifying Interventions (Exhibit D) to include other Strategic Products. At that time, Supplier will consider expanding the Strategic Product Performance Rebate to cover these additional Strategic Products. In anticipation of future AIP/AUP, Supplier offers Manager rebates on Strategic Products that do not have AIP/AUP at the time this Agreement shall be executed.

4. Re-definition of Manager's Performance Tiers: Due to long term care national market share fluctuations not attributable to Manager, Supplier retains the right to review and adjust, if necessary, Manager's Performance Tiers. Any changes to the Performance Tiers shall be communicated in writing by Supplier to Manager at least 60 days before the change takes affect. Manager shall have the opportunity to discuss the rationale for the proposed change with Supplier within the 60 day period extended.

   a) If the Long Term Care national Product Market Share exceeds Manager's Product Market Share then Supplier may revise the Performance Tiers as described in the "Performance Measurement and Rebate Matrix" grid. Such adjustment will fully consider the influence of Manager's performance on long term care national market share.

   b) If the FDA were to change the current indication or labeling for any one of Supplier's Products or competitive products listed in the Defined Markets (Exhibit B) or if Article #10 under General Terms and Conditions describing the LEGAL CHANGES were to materialize, Supplier will re-evaluate the Performance Tier for the affected Product(s).

   c) If the FDA approves new products and subsequently, such product is added to the Defined Markets (as per the conditions described in "Definition of Therapeutic Classes), Supplier may re-evaluate the Performance Tier.

5. Performance requirements and corresponding rebates for Strategic Products are listed below under "Performance Measurement - Rebate Matrices".

6. Supplier retains the sole right to define and re-define the pharmaceutical Defined Product Market (Exhibit B) based upon (i) the entry of a branded or generic product into the market, (ii) the removal/discontinuation of a branded or generic product from the market, (iii) a change in the indication of Supplier's Product(s), or (iv) a modification by Supplier of their view of competitive products against which Supplier's Product(s) compete. Supplier agrees that any changes made to the Defined Market will reflect Supplier's universal definition, rather than a specific definition with regard to Manager or this Agreement. When there is a change in a Product(s) Defined Product Market, Supplier shall provide Manager with the revised Defined Product Market (Exhibit B).The changes to Defined Product Markets reflect Supplier's universal definition, rather than a specific definition with regard to Manager or this Agreement.

PERFORMANCE MEASUREMENT - REBATE MATRICES

Product	Mgr. Shr Q4'96	Nat'l Shr. Q4'96	Market Share / Rebate % Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Additional Product Interventional Requirements
Risperdal	83.1%	95.3%	< 80.0% 2.0%	80.0% 4.0%	85.0% 6.0%	90.0% 11.0%		First line Atypical Antipsychotic. All other competitive products in Defined Market Prior Authorized for Risperdal failures. Manager's Regional V.P.s and Formulary Champions shall work with Supplier to develop business plan and communications to prescribing practitioners that enhances compliance to this Agreement. Consultants to attend Risperdal inservice.
Duragesic	58.0%	54.9%	55.0% 2.0%	60.0% 4.0%	65.0% 8.0%	70.0% 10.0%		First line preferred strong Opiod. Participation in National Pain Management Initiative to be jointly developed by the two parties. Manager's Regional V.P.s and Formulary Champions shall work with Supplier to develop business plan and communications to prescribing practitioners to enhance compliance to this Agreement.
Propulsid	15.1%	13.7%	15.0% 1.5%	20.0% 4.0%	25.0% 8.0%	30.0% 10.0%		Consultant Pharmacists to attend PROPULSID inservice. Manager's Regional V.P.s and Formulary Champions shall work with Supplier to educate Manager's prescribing practitioners on GERD treatment protocols.
Ultram	18.8%	21.4%	< 32.0% 1.5%	32.0% 3.0%	42.0% 4.0%	52.0% 6.0%	62.0% 8.0%	Develop ULTRAM Propoxyphene interventional program (to be jointly developed by both parties).
Procrit			N/A 5.0%					Please see "Product Specific Terms and Conditions" section of this Agreement for appropriate use of PROCRIT.
Floxin	12.9%	12.8%	20% 4%	40% 8%	60% 12%	80% 14%		
Levaquin	N/A	N/A	> NMS 2%					

Denotes Performance Tier Already Achieved by Manager.

Common Product Requirements:

EXHIBIT A FULL PRODUCT PUT-UP LIST

In Effect April 1, 1997 Through March 31, 1998

NDC	J & J NAME	GENERIC DESCRIPTION	STRENGTH	How Supplied	Eaches Per SUOM	CONTRACT PRICE (4/1/97-3/31/98)
50458006002	Alfenta	Alfentanil HCl	500 MCG/ML	2 ML Ampules	BOX of 10	67.44
50458006005	Alfenta	Alfentanil HCl	500 MCG/ML	5 ML Ampules	BOX of 10	120.89
50458006010	Alfenta	Alfentanil HCl	500 MCG/ML	10 ML Ampules	BOX of 5	97.60
50458006020	Alfenta	Alfentanil HCl	500 MCG/ML	20 ML Ampules	BOX of 5	170.82
50458003605	Duragesic	Fentanyl Transdermal System	100 MCG/HR	Patches	PACKAGE of 5	128.23
50458003305	Duragesic	Fentanyl Transdermal System	25 MCG/HR	Patches	PACKAGE of 5	44.94
50458003405	Duragesic	Fentanyl Transdermal System	50 MCG/HR	Patches	PACKAGE of 5	67.38
50458003505	Duragesic	Fentanyl Transdermal System	75 MCG/HR	Patches	PACKAGE of 5	102.92
50458027036	Ergamisol	Levamisole HCl	50 MG	Tablets	BOTTLE of 36	168.31
00062118501	Erycette	Erythromycin	2%	Pledgets	BOX of 60	17.60
00062154002	Floxin	Ofloxacin	200 MG	Tablets	BOTTLE of 50	137.50
00062154102	Floxin	Ofloxacin	300 MG	Tablets	BOTTLE of 50	163.64
00062154201	Floxin	Ofloxacin	400 MG	Tablets	BOTTLE of 100	345.18
00062155001	Floxin	Ofloxacin	400 MG	10 ML Vial	VIAL of 1	21.00
00062155301	Floxin I.V.	Ofloxacin	200 MG	50 ML I.V. Mini-Bag	BAG of 1	11.00
00062155202	Floxin I.V.	Ofloxacin	400 MG	100 ML I.V. Mini-Bag	BAG of 1	22.00
00062154005	Floxin UD	Ofloxacin	200 MG	Tablets	UNIT of 100	276.89
00062154105	Floxin UD	Ofloxacin	300 MG	Tablets	UNIT of 100	329.32
00062154205	Floxin UD	Ofloxacin	400 MG	Tablets	UNIT of 100	347.37
00062021160	Grifulvin-V	Griseofulvin	250 MG	Tablets	BOTTLE of 100	61.65
00062021460	Grifulvin-V	Griseofulvin	500 MG	Tablets	BOTTLE of 100	95.70
00062021470	Grifulvin-V	Griseofulvin	500 MG	Tablets	BOTTLE of 500	415.25
00062020604	Grifulvin-V Susp	Griseofulvin	125MG/5ML	120 ML Oral Suspension	BOTTLE of 1	20.00
00045024160	Haldol	Haloperidol	1 MG	Tablets	BOTTLE of 100	54.90
00045024010	Haldol	Haloperidol	1/2 MG	Tablets	UNIT of 1	41.23
00045024060	Haldol	Haloperidol	1/2 MG	Tablets	BOTTLE of 100	37.09
00045024660	Haldol	Haloperidol	10 MG	Tablets	BOTTLE of 100	158.80
00045024260	Haldol	Haloperidol	2 MG	Tablets	BOTTLE of 100	75.73
00045025004	Haldol	Haloperidol	2 MG/ML	120 ML Concentration	UNIT of 1	86.56
00045025015	Haldol	Haloperidol	2 MG/ML	15 ML Concentration	UNIT of 1	20.71
00045024860	Haldol	Haloperidol	20 MG	Tablets	BOTTLE of 100	304.66
00045024560	Haldol	Haloperidol	5 MG	Tablets	BOTTLE of 100	123.78
00045025501	Haldol	Haloperidol	5 MG/ML	1 ML Injection	BOX of 10	5.01
00045025549	Haldol	Haloperidol	5 MG/ML	10 ML Injection	BOX of 1	5.01
00045025446	Haldol Dec 100	Haloperidol decanoate	100 MG	5 ML Vial	BOX of 1	185.22

NDC	J & J NAME	GENERIC DESCRIPTION	STRENGTH	How Supplied	Eaches Per SUOM	CONTRACT PRICE (4/1/97-3/31/98)
00045025414	Haldol Dec 100	Haloperidol decanoate	50 MG	1 ML Ampules	BOX of 5	185.22
00045025301	Haldol Dec 50	Haloperidol decanoate	50 MG	1 ML Ampules	BOX of 10	201.90
00045025346	Haldol Dec 50	Haloperidol decanoate	50 MG	5 ML Multi-Dose Vial	BOX of 1	100.98
00045025303	Haldol Dec 50	Haloperidol decanoate	70.52 MG	1 ML Ampules	BOX of 3	60.58
50458051010	Hismanal	Astemizole	10 MG	Tablets	BOTTLE of 100	166.41
50458051013	Hismanal	Astemizole	10 MG	Tablets	PACKAGE of 120	199.69
50458040010	Imodium	Loperamide HCl	2 MG	Capsules	BOTTLE of 100	41.99
50458040050	Imodium	Loperamide HCl	2 MG	Capsules	BOTTLE of 500	206.51
50458040001	Imodium UD	Loperamide HCl	2 MG	Capsules	BOTTLE of 100	45.38
00045006701	Levaquin	levofloxacin	250 mg	50mL Injection Premix	Bag of 1	16.25
00045152010	Levaquin	levofloxacin	250 MG	Tablets	Bottle of 100	503.49
00045152050	Levaquin	levofloxacin	250 mg	Tablets	Bottle of 50	249.99
00045006801	Levaquin	levofloxacin	500 MG	100mL Injection Premix	Bag of 1	32.50
00045152510	Levaquin	levofloxacin	500 MG	Tablets	Bottle of 100	587.49
00045152550	Levaquin	levofloxacin	500 Mg	Tablets	Bottle of 50	291.99
00045006951	Levaquin	levofloxacin	500 MG 25mg/mL	20mL Injection Single-use	Vial of 1	32.50
00062543401	Monistat-Derm	Miconazole Nitrate	2%	30 GM Cream	TUBE of 1	18.85
00062543402	Monistat-Derm	Miconazole Nitrate	2%	15 GM Cream	TUBE of 1	11.20
50458022115	Nizoral Cream	Ketaconazole	2%	15 GM Cream	TUBE of 1	12.10
50458022130	Nizoral Cream	Ketaconazole	2%	30GM Cream	TUBE of 1	20.35
50458022001	Nizoral Tab Hud	Ketaconazole	200 MG	Tablets	BOTTLE of 100	267.99
50458022010	Nizoral Tablets	Ketaconazole	200 MG	Tablets	BOTTLE of 100	243.72
00045009560	Pancrease Caps	Pancrelipase	4500 U.S.P. UNITS	Capsules	BOTTLE of 100	29.21
00045009569	Pancrease Caps	Pancrelipase	4500 U.S.P. UNITS	Capsules	BOTTLE of 250	69.58
00045034160	Pancrease MT 4	Pancrelipase	4000 U.S.P. UNITS	Capsules	BOTTLE of 100	23.01
00045034260	Pancrease MT 10	Pancrelipase	10000 U.S.P. UNITS	Capsules	BOTTLE of 100	57.52
00045034360	Pancrease MT 16	Pancrelipase	16000 U.S.P. UNITS	Capsules	BOTTLE of 100	92.36
00045034660	Pancrease MT 20	Pancrelipase	20000 U.S.P. UNITS	Capsules	BOTTLE of 100	115.20
59676031001	Procrit	Epoetin alfa	10000 U/ML	1 ML Vial	PACKAGE of 6	578.00
59676031002	Procrit	Epoetin alfa	10000 U/ML	1 ML Vial	PACKAGE of 25	2,408.36
59676031201	Procrit	Epoetin alfa	10000 U/ML X 2 ML (20,000 UNITS)	2 ML Vial	PACKAGE of 6	1,156.01
59676030201	Procrit	Epoetin alfa	2000 U/ML	1 ML Vial	PACKAGE of 6	117.60
59676030202	Procrit	Epoetin alfa	2000 U/ML	1 ML Vial	PACKAGE of 25	490.00
59676030301	Procrit	Epoetin alfa	3000 U/ML	1 ML Vial	PACKAGE of 6	176.40
59676030302	Procrit	Epoetin alfa	3000 U/ML	1 ML Vial	PACKAGE of 25	735.00
59676030401	Procrit	Epoetin alfa	4000 U/ML	1 ML Vial	PACKAGE of 6	235.20
59676030402	Procrit	Epoetin alfa	4000 U/ML	1 ML Vial	PACKAGE of 25	980.00
59676032001	Procrit	Epoetin alfa	20000 X 1 ML	1 ML Vial	PACKAGE of 6	1,156.01

NDC	J & J NAME	GENERIC DESCRIPTION	STRENGTH	How Supplied	Eaches Per SUOM	CONTRACT PRICE (4/1/97-3/31/98)
50458043010	Propulsid	Cisapride	10 MG	Tablets	BOTTLE of 100	56.62
50458043050	Propulsid	Cisapride	10 MG	Tablets	BOTTLE of 500	283.10
50458044001	Propulsid	Cisapride	20 MG	Tablets	BOXES of 100	120.82
50458044025	Propulsid	Cisapride	20 MG	Tablets	BOTTLE of 250	274.60
50458044010	Propulsid	Cisapride	20MG	Tablets	BOTTLE of 100	109.83
50458045045	Propulsid Suspension	Cisapride	1MG/ML	450 ML Oral Suspension	BOTTLE of 1	40.91
50458043001	Propulsid UD	Cisapride	10 MG	Tablets	BOTTLE of 100	62.28
50458030001	Risperdal	Risperidone	1 MG	Tablets	BOTTLE of 100	170.70
50458030006	Risperdal	Risperidone	1 MG	Tablets	BOTTLE of 60	102.44
50458030050	Risperdal	Risperidone	1 MG	Tablets	BOTTLE of 500	853.63
50458032001	Risperdal	Risperidone	2 MG	Tablets	BOTTLE of 100	284.16
50458032006	Risperdal	Risperidone	2 MG	Tablets	BOTTLE of 60	170.49
50458032050	Risperdal	Risperidone	2 MG	Tablets	BOTTLE of 500	1,420.93
50458033001	Risperdal	Risperidone	3 MG	Tablets	BOTTLE of 100	335.59
50458033006	Risperdal	Risperidone	3 MG	Tablets	BOTTLE of 60	201.34
50458033050	Risperdal	Risperidone	3 MG	Tablets	BOTTLE of 500	1,677.89
50458035001	Risperdal	Risperidone	4 MG	Tablets	BOTTLE of 100	455.49
50458035006	Risperdal	Risperidone	4 MG	Tablets	BOTTLE of 60	273.29
50458030510	Risperdal Oral Soln	Risperidone	1 MG/ML	100 ML Oral Solution	BOTTLE of 1	216.99
00062546001	Spectazole Cream	Econazole Nitrate	1%	30 GM Cream	TUBE of 1	17.80
00062546002	Spectazole Cream	Econazole Nitrate	1%	15 GM Cream	TUBE of 1	10.45
50458029001	Sporanox Cap	Itraconazole	100 MG	Capsules	BOTTLE of 30	145.55
50458029004	Sporanox Cap	Itraconazole	100 MG	Capsules	BOTTLE of 30	145.55
50458005001	Sufenta Inj	Sufentanil Citrate	50 MCG/ML	1 ML Ampules	BOX of 10	77.40
50458005002	Sufenta Inj	Sufentanil Citrate	50 MCG/ML	2 ML Ampules	BOX of 10	136.32
50458005005	Sufenta Inj	Sufentanil Citrate	50 MCG/ML	5 ML Ampules	BOX of 10	283.65
00045063965	Topamax	topiramate	25mg	Tablets	Bottle of 60's	54.00
00045064165	Topamax	topiramate	100 mg	Tablets	Bottle of 60's	123.00
00045064265	Topamax	topiramate	200mg	Tablets	Bottle of 60's	144.00
00045048632	Tylenol Chewables	acetaminophen	80 MG	Chews	CASE of 48X30	31.80
00045012303	Tylenol Child Liq	acetaminophen	160 MG	4 OZ Oral Suspension	CASE of 36	29.66
00045045103	Tylenol ES Cap	acetaminophen	500 MG	Caplets	CASE of 20 X 150	54.50
00045045104	Tylenol ES Cap	acetaminophen	500 MG	Caplets	CASE of 10X150	29.50
00045045170	Tylenol ES Cap	acetaminophen	500 MG	Caplets	BOTTLE of 700	7.20
00045012218	Tylenol Grape Susp	acetaminophen	80 MG	15 ML Oral Suspension	CASE of 36	28.80
00045050180	Tylenol RS Cap	acetaminophen	325	Caplets	BOTTLE of 1	6.90
00045050190	Tylenol RS Cap	acetaminophen	325	Caplets	BOTTLE of 1	30.89
00045050130	Tylenol RS Tabs	acetaminophen	325 MG	Caplets	CASE of 20X150	32.70

NDC	J & J NAME	GENERIC DESCRIPTION	STRENGTH	How Supplied	Eaches Per SUOM	CONTRACT PRICE (4/1/97-3/31/98)
00045052660	Tylox Cap	acetaminophen/oxycodone hydrochloride	5 MG	Capsules	BOTTLE of 100	31.43
00045052679	Tylox UD Cap	acetaminophen/oxycodone hydrochloride	5 MG	Capsules	BOTTLE of 100	8.31
00045065960	Ultram	tramadol	50 MG	Tablets	BOTTLE of 100	53.97
00045065910	Ultram	tramadol	50 MG	Tablets	BOTTLE of 100	59.37
00045068210	Vascor	bepridil hydrochloride	200 MG	Tablets	BOTTLE of 100	242.59
00045068233	Vascor	bepridil hydrochloride	200 MG	Tablets	BOTTLE of 90	198.45
00045068310	Vascor	bepridil hydrochloride	300 MG	Tablets	BOTTLE of 100	295.89
00045068333	Vascor	bepridil hydrochloride	300 MG	Tablets	BOTTLE of 90	242.12
00045068410	Vascor	bepridil hydrochloride	400 MG	Tablets	BOTTLE of 100	333.71
00045068433	Vascor	bepridil hydrochloride	400 MG	Tablets	BOTTLE of 30	273.06
0458011001	Vermox	mebendazole	100 MG	Tablets	CARD of 12	52.16

EXHIBIT B DEFINED MARKET

Product	Dose/Package Size	NDC Number	Dacon Units
	GERD THERAPY		
AXID	150 MG	00002 3144 XX	2
AXID	300 MG	00002 3145 XX	1
CARAFATE	1 GM / 10 ML	00088 1700 XX	40
CARAFATE	1 GM TABS	00088 1712 XX	4
CIMETIDINE	200 MG	All Manufacturers	4
CIMETIDINE	300 MG	All Manufacturers	4
CIMETIDINE	300 MG/ 5ML	All Manufacturers	20
CIMETIDINE	400 MG	All Manufacturers	2
CIMETIDINE	800MG	All Manufacturers	1
METACLOPROPAMIDE	5 MG	All Manufacturers	4
METACLOPROPAMIDE	10 MG	All Manufacturers	4
METACLOPROPAMIDE	5 MG / 5 ML	All Manufacturers	20
PEPCID	20 MG	00006 0963 XX	2
PEPCID	40 MG	00006 0964 XX	1
PEPCID	40 MG / 5 ML	00006 3538 XX	5
PREVACID	15 MG	00300 1541 XX	1
PREVACID	30 MG	00300 3046 XX	1
PRILOSEC	10 MG	61113 0606 XX	1
PRILOSEC	20 MG	61113 0742 XX	1
PROPULSID	10 MG	50458 0430 XX	4
PROPULSID	20 MG	50458 0440 XX	4
PROPULSID	1MG / ML	50458 0450 XX	40
REGLAN	5 MG	00031 6705 XX	4
REGLAN	10 MG	00031 6701 XX	4
REGLAN	5MG / 5ML	00031 6706 XX	4
SUCRAFATE	1 GM	All Manufacturers	4
SUCRAFATE	16/10ML	All Manufacturers	40
TAGAMET	200 MG	00108 5012 XX	4
TAGAMET	300 MG	00108 5013 XX	4
TAGAMET	400 MG	00108 5026 XX	2
TAGAMET	800 MG	00108 5027 XX	1
TAGAMET	300 MG / 5ML	00108 5014 XX	20
ZANTAC	150 MG TAB	00173 0344 XX	2
ZANTAC	300 MG TAB	00173 0393 XX	1
ZANTAC	15 MG / ML	00173 0383 XX	20
ZANTAC	150 MG SOL	00173 0427 XX	4
ZANTAC	150 MG GRANULE	00173 0451 XX	2
ZANTAC	150 MG GELDOSE	00173 0428 XX	2
ZANTAC	300 MG GELDOSE	00173 0429 XX	1
	QUINOLONE ANTIBIOTICS		
CIPRO	250 MG	00026 8512 XX	2
CIPRO	500 MG	00026 8513 XX	2
CIPRO	750 MG	00026 8514 XX	2
FLOXIN	200 MG	00062 1540 XX	2
FLOXIN	300 MG	00062 1541 XX	2
FLOXIN	400 MG	00062 1542 XX	2
MAXAQUIN	400 MG	00025 1651 XX	1
NOROXIN	400 MG	00006 0705 XX	2
NOROXIN	400 MG	5490 2097 XX	2
NOROXIN	400 MG	5491 2097 XX	2
NOROXIN	400 MG	5492 2097 XX	2
	RESPIRATORY ANTIFUNGALS (I.V.)		
CIPRO	I.V. 200 mg/100 ml D5W	00026 8552 36	TBD
CIPRO	I.V. 400 mg/200 ml D5W	00026 8554 63	TBD

Product	Dose/Package Size	NDC Number	Dacon Units
CIPRO	I.V. 10 mg/ml VIAL	00026 8562 20	TBD
CIPRO	I.V. 10 mg/ml VIAL	00026 8564 64	TBD
CIPRO	I.V. 10 mg/ml VIAL	00026 8566 65	TBD
CLAFORAN	500 mg VIAL	00039 0017 10	TBD
CLAFORAN	1 g VIAL	00039 0018 10	TBD
CLAFORAN	1 g INFUSION BTL	00039 0018 11	TBD
CLAFORAN	1 g VIAL	00039 0018 25	TBD
CLAFORAN	1 g VIAL	00039 0018 50	TBD
CLAFORAN	2 g VIAL	00039 0019 10	TBD
CLAFORAN	2 g INFUSION BTL	00039 0019 11	TBD
CLAFORAN	2 g INJECTION	00039 0019 25	TBD
CLAFORAN	2 g VIAL	00039 0019 50	TBD
CLAFORAN	10 g VIAL	00039 0020 01	TBD
CLAFORAN	1 g ADD-VANTAGE	00039 0023 25	TBD
CLAFORAN	1 g ADD-VANTAGE	00039 0023 50	TBD
CLAFORAN	2 g ADD-VANTAGE	00039 0024 25	TBD
CLAFORAN	2 g ADD-VANTAGE	00039 0024 50	TBD
CLAFORAN	1 g/50 ml GALAXY	00039 0037 05	TBD
CLAFORAN	2 g/50 ml GALAXY	00039 0038 05	TBD
FLOXIN®	I.V. 40 mg/ml VIAL	00062 1550 01	TBD
FLOXIN®	I.V. 20 mg/ml VIAL	00062 1551 01	TBD
FLOXIN®	I.V. 4 mg/ml MINI-BAG	00062 1552 01	TBD
FLOXIN®	I.V. 4 mg/ml MINI-BAG	00062 1553 01	TBD
GENERIC ERYTHROMYCIN	I.V.	ALL MANUFACTURER	TBD
LEVAQUIN	250 mg INJECTION PREMIX (50ml)	00045 0067 01	TBD
LEVAQUIN	500 mg INJECTION PREMIX (100ml)	00045 0068 01	TBD
LEVAQUIN	500 mg 25mg/ml INJECTION SINGLE-USE (20ml	00045 0069 51	TBD
ROCEPHIN	250 mg VIAL	00004 1962 01	TBD
ROCEPHIN	250 mg VIAL	00004 1962 02	TBD
ROCEPHIN	500 mg VIAL	00004 1963 01	TBD
ROCEPHIN	500 mg VIAL	00004 1963 02	TBD
ROCEPHIN	500 mg KIT	00004 1963 39	TBD
ROCEPHIN	1 g VIAL	00004 1964 01	TBD
ROCEPHIN	1 g PIGGYBACK	00004 1964 02	TBD
ROCEPHIN	1 g VIAL	00004 1964 04	TBD
ROCEPHIN	ADD-VANTAGE 1 g	00004 1964 05	TBD
ROCEPHIN	1 g KIT	00004 1964 39	TBD
ROCEPHIN	2 g VIAL	00004 1965 01	TBD
ROCEPHIN	2 g PIGGYBACK	00004 1965 02	TBD
ROCEPHIN	ADD-VANTAGE 2 g	00004 1965 05	TBD
ROCEPHIN	10 g VIAL	00004 1971 01	TBD
ROCEPHIN	1 g/DEXTROSE 2.4	00004 2002 78	TBD
ROCEPHIN	2 g/DEXTROSE 2.4	00004 2003 78	TBD
ZINACEF	750 mg VIAL	00173 0352 31	TBD
ZINACEF	750 mg INFUSION	00173 0353 32	TBD
ZINACEF	1.500 g VIAL	00173 0354 35	TBD
ZINACEF	1.500 g VIAL	00173 0356 32	TBD
ZINACEF	7.500 g VIAL	00173 0400 00	TBD
ZINACEF	750 mg ADD-VANTAGE	00173 0436 00	TBD
ZINACEF	1.500 g ADD-VANTAGE	00173 0437 00	TBD
RESPIRATORY ANTIFUNGALS (ORAL)			
AUGMENTIN	250 mg	00029 6075 27	TBD
AUGMENTIN	500 mg	00029 6080 12	TBD

Product	Dose/Package Size	NDC Number	Dacon Units
AUGMENTIN	875 mg	00029 6086 12	TBD
BIAXIN	500 mg	00074 2586 60	TBD
BIAXIN	250 mg	00074 3368 60	TBD
CEFTIN	250 mg	00173 0387 XX	TBD
CEFTIN	500 mg	00173 0394 XX	TBD
CIPRO	100 mg CYSTITIS PAK	00026 8511 XX	TBD
CIPRO	100 mg	00026 8511 XX	TBD
CIPRO	250 mg	00026 8512 XX	TBD
CIPRO	500 mg	00026 8513 XX	TBD
CIPRO	750 mg	00026 8514 XX	TBD
LEVAQUIN	250 mg TABLET	00045 1520 XX	TBD
LEVAQUIN	500 mg TABLET	00045 1525 XX	TBD
ZITHROMAX	250 mg Z-PAK	00069 3050 34	TBD
ZITHROMAX	250 mg CAPSULE	00069 3050 50	TBD
	ANTI-PSYCHOTIC		
RISPERDAL	1 MG TABS	50458 0300 XX	2
RISPERDAL	2 MG TABS	50458 0320 XX	2
RISPERDAL	3 MG TABS	50458 0330 XX	2
RISPERDAL	4 MG TABS	50458 0350 XX	2
RISPERDAL	ORAL SUSPENSION	50458 0305 XX	2
SERTINDOLE	ALL SIZES	ALL MANUFACTURES	
ZYPREXA	10MG TABS	00002 4117 XX	1
ZYPREXA	5MG TABS	00002 4115 XX	1
ZYPREXA	7.5 MG TABS	00002 4116 XX	1
	ERYTHROPOIETIN		
EPOGEN	2,000 UNIT	55513 0126 XX	1
EPOGEN	3,000 UNIT	55513 0267 XX	1
EPOGEN	4,000 UNIT	55513 0148 XX	1
EPOGEN	10,000 UNIT	55513 0144 XX	1
EPOGEN	20,000 UNIT	55513 0283 XX	1
PROCRIT * (Epoetin alfa)	2,000 UNIT	59676 0302 XX	1
PROCRIT * (Epoetin alfa)	3,000 UNIT	59676 0303 XX	1
PROCRIT * (Epoetin alfa)	4,000 UNIT	59676 0304 XX	1
PROCRIT * (Epoetin alfa)	10,000 UNIT	59676 0310 XX	1
PROCRIT * (Epoetin alfa)	10,000/ML X 2 (20,000 UNIT)	59676 0312 XX	1
PROCRIT * (Epoetin alfa)	20,000 UNIT	59676 0320 XX	1
	ANALGESIC MARKET		
DEMEROL	100 MG		5
DILAUDID	8 MG		3
DURAGESIC * HR PATCH	25 MCG	50458 0033 XX	0.333
DURAGESIC * HR PATCH	50 MCG	50458 0034 XX	0.333
DURAGESIC * HR PATCH	75 MCG	50458 0035 XX	0.333
DURAGESIC * HR PATCH	100 MCG	50458 0036 XX	0.333
HYDROMORPHONE	2 MG	All Manufacturers	5
HYDROMORPHONE	4 MG TABLET	All Manufacturers	5
KADIAN	20 MG	New Product	1
KADIAN	50 MG	Zeneca	1
MORPHINE	10 MG	All Manufacturers	5
MORPHINE	15 MG TAB	All Manufacturers	5
MORPHINE	20 MG SUPP	All Manufacturers	5
MORPHINE	30 MG SUPP	All Manufacturers	5
MORPHINE	10 MG SUPP	All Manufacturers	5
MORPHINE	30 TAB/CAP	All Manufacturers	5
MORPHINE	5 MG SUPP	All Manufacturers	5
MORPHINE	10 MG/ 5 ML SOL	All Manufacturers	25
MESPERIDINE	50 MG TAB	All Manufacturers	6
MS-CONTIN 100 MG	TABLETS	00034 0517 XX	2

Product	Dose/Package Size	NDC Number	Dacon Units
MS-CONTIN 15 MG	TABLETS	00034 0514 XX	2.5
MS-CONTIN 200 MG	TABLETS	00034 0513 XX	2
MS-CONTIN 30 MG	TABLETS	00034 0515 XX	2.5
MS-CONTIN 60 MG	TABLETS	00034 0516 XX	2.5
ORAMORPH	15 MG		2.5
ORAMORPH	30 MG		2.5
ORAMORPH	60 MG		2.5
ORAMORPH	100 MG		2
OXYCONTIN	10 MG	59011 0100 XX	2
OXYCONTIN	20 MG	59011 0103 XX	2
OXYCONTIN	40 MG	59011 0105 XX	2
	NSAIDs		
DARVOCET-N	100 Tab	00002-0363-XX	4
DARVOCET-N	50 Tab	00002-0351-XX	4
PROPOXYPHENE	All Strengths	All Manufacturers	4
ULTRAM	50 MG TAB	00045-0659-XX	4

EXHIBIT C: FORMAT FOR ELECTRONIC DATA SUBMISSION

		HEADER RECORD					
			COLUMNS		FIELD	FIELD	
		FIELD DESCRIPTION	FROM	THRU	SIZE	TYPE	FIELD VALUES
C	J	Record Type	1	1	1	A/N	H=Header Record
C	J	Action Code	2	3	2	A/N	00=Original; 02=Adjustment; 05=Replace
							00=Initial submission of data. This is the first submission for the given rebate period.
							02=Correction/adjustment to a previous submission. These incremental/decremental must correspond to a previous rebate period and batch number.
							05=Submission replaces in entirety a previous submission w/corresponding rebate period and batch number.
C	J	Transmission Date	4	11	8	Date	CCYYMMDD - Date transmission was created.
		Batch Number	12	26	15	A/N	Unique number that identifies the batch.
C	J	Contract Number	27	41	15	A/N	Contract number agreed upon between trading partners.
		Reference Number	42	56	15	A/N	Unique number that identifies the whole transmission.
C	J	Rebate Start Date	57	64	8	Date	CCYYMMDD
C	J	Rebate End Date	65	72	8	Date	CCYYMMDD
C	J	PMO (Pharm Mgmt Org) Id Qualifier	73	74	2	A/N	1=D&B; 9=D&B plus 4; 11=DEA #; 12=Telephone #; 21=HIN #; SL=State; ZZ=Mutually agreed
C	J	PMO (Pharm Mgmt Org) Id Code	75	91	17	A/N	
		PMO (Pharm Mgmt Org) Name	92	121	30	A/N	
C	J	Submitter (Third Party) Id Qualifier	122	123	2	A/N	1=D&B; 9=D&B plus 4; 11=DEA #; 12=Telephone #; 21=HIN #; SL=State; ZZ=Mutually agreed
C	J	Submitter (Third Party) Id Code	124	140	17	A/N	
		Submitter (Third Party) Name	141	170	30	A/N	
C	J	PICO (Contract Org) Id Qualifier	171	172	2	A/N	1=D&B; 9=D&B plus 4; 11=DEA #; 12=Telephone #; 21=HIN #; SL=State; ZZ=Mutually agreed
C	J	PICO (Contract Org) Id Code	173	189	17	A/N	
		PICO (Contract Org) Name	190	219	30	A/N	
		Filler	220	362	143	A/N	
		TOTAL			362		
		DETAIL RECORD					
			COLUMNS		FIELD	FIELD	
		FIELD DESCRIPTION	FROM	THRU	SIZE	TYPE	FIELD VALUES
C	J	Record Type	1	1	1		D=Detail Record
C	J	Line Number	2	16	15		Unique number that identifies the record.
C	J	Data Level	17	18	2	A/N	CP=Contract Org\Prescription Level; CI=Contract Org\Pharmacy ID; CZ=Contract Org\Pharmacy Zip; CN=Contract Org\NDC; PP=Plan\Prescription Level; PI=Plan\Pharmacy ID; PZ=Plan\Pharmacy Zip; PN=Plan\NDC; ZZ=Mutually agreed
C	J	Plan Identification Qualifier	19	20	2	A/N	DH= DEA #; HI=HIN #; ZZ=Mutually Agreed
C	J	Plan Identification Code	21	37	17	A/N	
		Plan Name	38	67	30	A/N	

	J	Pharmacy Identification Qualifier	68	69	2	A/N	1=D&B; 9= D&B plus 4; 11=DEA #; 12=Telephone #; 21=HIN #; 93=Vendor Assigned #; PP=NABP #; FI=Federal Taxpayer's ID #
	J	Pharmacy Identification Code	70	86	17	A/N	
		Pharmacy Zip	87	95	9	A/N	
C	J	Product Code Qualifier	96	97	2	A/N	N4=NDC; UI=UPC; TP=Ther. Class; ZZ=Mutually agreed
C	J	Product Code	98	109	12	A/N	
C	J	Product Description	110	139	30	A/N	
		Product Selection Code	140	141	2		
		Diagnosis Code	142	151	10		
		Days Supply	152	163	12		S999999999999
C	J	Metric Decimal Quantity	164	175	12		S99999999V999
C	J	Unit of Measure	176	177	2	A/N	EA=Each; GM=Grams; ML=Milliliters
C	J	Dosage Form	178	180	3	A/N	
C	J	Prescription Type	181	181	1		S9 (For Prescription level send values of 1, 0, -1)
C	J	Number of Prescriptions	182	191	10		S9999999999 (Summary level send number of prescriptions)
	J	Prescription Number	192	198	7	A/N	
	J	Prescription Fill Date	199	206	8	Date	CCYYMMDD
	J	Prescription Paid Date	207	214	8	Date	CCYYMMDD
		Plan Reimbursement Qualifier	215	216	2	A/N	
		Plan Reimbursement	217	227	11		S999999999V99
		Patient Liability	228	238	11		S999999999V99
	J	New/Refill Code	239	240	2	A/N	00=Original; 01=First Refill; 02=Second Refill, etc.
C	J	Market Share Indicator	241	241	1	A/N	Y=Market Share Information only; N=Drug actually utilized by program/plan
		Rebate Per Unit	242	252	11		S99999V999999
		Requested Rebate	253	263	11		S999999999V99
C	J	Formulary ID	264	272	9	A/N	
		Prescriber Identification Qualifier	273	274	2	A/N	11=DEA #; 12=Telephone #; 21=HIN #; ZZ=Mutually Agreed
		Prescriber Identification Code	275	291	17	A/N	
	J	Encrypted Patient Identification Code	292	308	17	A/N	
		Filler	309	362	54	A/N	
		TOTAL			362		
		TRAILER RECORD					
			COLUMNS		FIELD	FIELD	
		FIELD DESCRIPTION	FROM	THRU	SIZE	TYPE	FIELD VALUES
C	J	Record Type	1	1	1	A/N	T=Trailer
C	J	Action Code	2	3	2	A/N	00=Original; 02=Adjustment; 05=Replace
							00=Initial submission of data. This is the first submission for the given rebate period.
							02=Correction/adjustment to a previous submission. These incremental/decremental must correspond to a previous rebate period and batch number.
							05=Submission replaces in entirety a previous submission with corresponding rebate period and batch numbers.
C	J	Transmission Date	4	11	8	Date	CCYYMMDD - Date transmission was created
		Batch Number	12	26	15	A/N	Unique number that identifies the bach

C	J	Contract Number	27	41	15	A/N	Contract number agreed upon between trading partners
		Reference Number	42	56	15		Unique number that identifies the whole transmission
C	J	Rebate Start Date	57	64	8	Date	CCYYMMDD
C	J	Rebate End Date	65	72	8	Date	CCYYMMDD
C	J	PMO (Pharm Mgmt Org) Id Qualifier	73	74	2	A/N	1=D&B; 9=D7B plus 4; 11=DEA #; 12=Telephone #; 21=HIN #; SL=State; ZZ=Mutually agreed
C	J	PMO (Pharm Mgmt Org) Id Code	75	91	17	A/N	
		PMO (Pharm Mgmt Org) Name	92	121	30	A/N	
C	J	Submitter (Third Party) Id Qualifier	122	123	2	A/N	1=D&B; 9=D7B plus 4; 11=DEA #; 12=Telephone #; 21=HIN #; SL=State; ZZ=Mutually agreed
C	J	Submitter (Third Party) Id Code	124	140	17	A/N	
		Submitter (Third Party) Id Name	190	219	30	A/N	
C	J	PICO (Contract Org) Id Qualifier	171	172	2	A/N	
C	J	PICO (Contract Org) ID Code	173	189	17	A/N	
		PICO (Contract Org) Name	190	219	30	A/N	
C	J	Total Metric Decimal Quantity	220	233	14		S999999999999V999
		Total Requested Amount	234	244	11		S999999999V99
		Total Record Count	59	68	10		S9999999999
		Filler	255	362	108	A/N	
		TOTAL			362		

Non-Quantitative Requirements
(To be administered by Manager)

Manager Requirement Checklist

Must be filled out completely by Manager and sent to Supplier's Contract Administration group described on the cover page of this Agreement on a quarterly basis with rebate submissions. If checklist is not received, no payments will be made.

Product Specific Issues

Mandatory Brand Interchange - If contract specifies a Mandatory Brand Interchange for any product, the required documentation per contract terms must be supplied on a quarterly basis with rebate submissions.

Note: Contract terms grant Supplier a specific amount of time from the time rebate submissions are received (i.e. 60 days) to make payments. The count does not begin until a complete rebate submission is received. Completeness is defined as all the proper report formats and the above stated requirements.

Johnson & Johnson Health Care Systems Inc.
Non-Market Share Based Performance Requirement Checklist (To Be Completed by OMNICARE Every Quarter)

mpany Name: Omnicare, Inc.
Quarter: _____
lans Covered: _____ (Fill Form For Every Distinct Benefit Design)
Formulary ID: _____

Please place an (X) in the appropriate column for all products that are on contract to signify compliance with contract terms.

Product Description	Not on Formulary	On Formulary with:					NDC Block/Hard Edit in Favor	Without Any Competitive Disadvantage	ACTIVE INTERVENTION PROGRAM(S)	Target List of "High" Prescribers of Competitive Agents to Supplier	Other (*)
		Designated "ACCEPTABLE" or Better	No Restrictions	Preferred Status	Exclusive Status	Prior Authorization Required (Description)					
DURAGESIC											
FLOXIN											
LEVAQUIN											
ONE TOUCH											
PROCRIT											
PROPULSID											
RISPERDAL											
SPORANOX											
ULTRAM											

* *Any other requirements specified in contract terms that are not listed herein.*

Authorized Signature: _____
Name: _____
Date: _____

EXHIBIT D: SCHEDULE OF QUALIFYING INTERVENTIONS

To be developed at a joint Supplier-Manager business planning meeting. Such meeting shall take place within thirty (30) days of executing this Agreement and will be arranged by the Supplier. Once developed, the Schedule of Qualifying Interventions, shall be reviewed during annual business planning meetings. During the meeting, the Schedule will be revised and performance goals evaluated. The meeting shall also provide the forum to consider addition of Strategic Products for the annual Strategic Product Performance Rebate incentive.

The Strategic Brand Performance Rebate shall be earned if and only if all of the following criteria have been fulfilled:

PERIOD: April 1, 1997 through March 31, 1998 (To be Confirmed)

PRODUCT	PERFORMANCE REQUIRED (1)	ACTIVE INTERVENTION PROGRAMS TO BE IMPLEMENTED BY MANAGER
RISPERDAL®	Tier 3	TBD at joint business planning session between the two parties.
FLOXIN®	Tier 1	TBD at joint business planning session between the two parties.
ULTRAM®	Tier 2	TBD at joint business planning session between the two parties.
DURAGESIC®	Tier 2	TBD at joint business planning session between the two parties.

(1) As per the **Performance Measurement and Rebate Matrix** schedule. Manager's performance will be evaluated at the end of the period as described in point #2 in "**Performance Measurement and Rebate Eligibility**" section.

EXHIBIT E: LIST OF MANAGER OWNED CLOSED PHARMACIES
(Participating Sites to the Agreement)

MANAGER: _____

Contract No: _____
Contract Date: _____

Facility Name:

Address:

Phone and FAX Number:

Contact Name:

Facility ID Number (e.g. DEA#, HIN...)

EXHIBIT F: LIST OF PRIME VENDORS

Prime Vendor Name:

Address:

Phone and FAX Number:

Contact Name:

ID Number (e.g. DEA#...)

EXHIBIT G: CERTIFICATION OF "OWN USE" FOR EACH PARTICIPATING SITE

Name of Participating Site: _____ MANAGER: _____

Address: _____ Contract No: _____

_____

_____ Contract Date: _____

DEA#: _____

I certify that the above-mentioned Participating Site is not engaged in retail sales and that all items purchased through the above-referenced Agreement (hereafter the "Agreement") will be utilized for Participating Sites' own operations and otherwise consistent with the established guidelines based on the United States Supreme Court decision in Abbott Laboratories, et. al, vs Portland Retail Druggists Association, et. al. As used herein, any and all merchandise purchased under the Agreement shall be for our own use and not for resale or in competition with private sector pharmacies. The phrase "own use" is limited to the following:

• Dispensing of the pharmaceutical or Durable Medical Equipment (DME) Products to Residents by Participating Site(s) while resident of any healthcare facilities serviced exclusively by a Closed Pharmacy;

• Dispensing of the Product to Residents upon their discharge from any healthcare facility serviced exclusively by Closed Pharmacy as take-home prescriptions or supplies necessary for a limited and reasonable time as continuation of treatment;

• Dispensing of the pharmaceutical or DME Products to Manager's employees or employees of facilities serviced by Participating Site(s) for their own use or the use of their dependents (but not for the use of their non-dependent family members); or

• Dispensing of the pharmaceutical or DME Products to a staff member physician in a facility serviced by Manager for his or her personal use, or for the use of his or her dependents (but not other persons or for use in the physicians' private practice).

I further represent and warrant that this Participating Site shall not buy, distribute, sell, transfer, or use pharmaceutical and DME products priced under this Agreement or cause the distribution of such Products in any manner contrary to the requirements of "own use" or any terms and conditions contained in the Agreement. Further, I understand that applicable Federal and state laws may impose penalties for any such violations. If Supplier shall reasonably determine that a Participating Site is using the Products for any other purpose, it shall have the right to immediately terminate the Agreement with respect to such Participating Site and to refuse to accept any further orders under the Agreement from or on behalf of such Participating Site.

Manager Representative:

_____ _____

Authorized Name (Print or Type) Date

_____

Title

_____

Signature