

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
agreements 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.

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tpetro@hcsus.jnj.com

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-----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 Sporanox 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

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dbutler3@janus.jnj.com

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-----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

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Tracking:

Recipient

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