LTC Group Update to MCC
12/15/1999

Agenda
- Background
- The Strategy & Team
- Results
- Lessons Learned
- Future “Open Discussion”
Background

1. Set Mission/Vision
   - Cross Company Team
2. Market Immersion
   - 75 Interviews
     - Senior Execs.
     - Providers
3. Strategy Concept Development
   - Cross Company Team
4. Tested Strategy Concepts
   - Contracting
     - Outcomes
     - Education
5. Refinement
   - Incorporated Changes
6. Segment Plan Completion
   - Integration into Franchise Plans
7. Implementation
   - 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

Rxs for seniors
(12% of population)

Rxs for non-seniors
(78% of population)

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
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%

* In addition, the average nursing home resident receives 2.2 OTC medications.

Source: SMG LTC Provider Census 06/99
J & J Customer Satisfaction in LTC
Base Line - October 1996

- Customer Satisfaction Rating (Scott Levin) # 36
- Advisory Board Feedback “Bottom three”
- Large Sales Volume
<table>
<thead>
<tr>
<th>Dedicated Resources</th>
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<tbody>
<tr>
<td><strong>LTC Business Group</strong></td>
</tr>
<tr>
<td>(OMP, OBI, JPI)</td>
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<tr>
<td>Nov. 1996</td>
</tr>
<tr>
<td>• 2 Region Directors</td>
</tr>
<tr>
<td>• 3 Account Directors</td>
</tr>
<tr>
<td>• 11 Business Managers</td>
</tr>
<tr>
<td>• 25 Geriatric Nurse Consultants</td>
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**JJHCS**
- Contract Admin. & Management
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*
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
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

SETTING NEW STANDARDS
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 - LT CPP

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<th>% of Market</th>
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<td>PharMerica</td>
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<td>Neighborcare</td>
<td>263</td>
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<td>SunScript</td>
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<tr>
<td>Vencare</td>
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Geriatrics Market Share

Risperdal - Zyprexa - Seroquel - Conventionals

27.8% Risperdal Nat. Retail MS (IMS)

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
ULTRAM Tablet Shares 2Q99

Omicare: 19.45%
Sunscript: 16.62%
Pharmerica: 14.19%
NCS: 7.75%

Ultram Nat.retail MS 3rd qtr.99 7.8%
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
- Focused Pharma Effort
- Partnerships with: Marketing, Sales, Account Management and Professional Services
- JJHCS - Contract Management & Administration
- Contracting - small element
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
# 2000 Budget Projections - $MM

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<td>Total 2000</td>
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<td>1.539</td>
<td>.567</td>
<td>1.276</td>
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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
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