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From: Ong, Gregory [HCS]
Sent: Sunday, February 09, 2003 4:05 PM
To: Forsthoefel, Tim [OMP]; Thurmond, Tracey [OMP]; Butler, Dave [JANUS]; Farley, Brett [JAN]
Subject: RE: Omnicare Levaquin Profitability Model

Tim,

Nice work.

The only adjustment I would make would be to account for the rebates in the overall market. Estimate an average rebate percentage that figures into the general market share and compare that to the overall rebate paid by Omnicare. For instance:

Let's say that the overall Levaquin market share is 35% and the overall average rebate is 8%, while Omnicare share is 65% with a rebate of 15%. Since 35% overall share was earned with an average rebate of 8%, by controlling for that rebate, I would argue that the 30% delta was actually earned with a much smaller investment, specifically the difference between overall market rebates and Omnicare rebates, or 7%. The first 35% of share should be able to be achieved by offering the same rebate as the average overall market rebate. Omnicare's incremental 7% is what earns the incremental market share. Using your chart below, 7% of Omnicare sales equals approximately \$1.44MM. The 30% increment remains the same, so the \$9MM in sales would actually be earned by \$1.44MM, instead of \$3MM.

Regards,
Greg

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

From: Forsthoefel, Tim [OMP]
Sent: Friday, February 07, 2003 6:00 PM
To: Thurmond, Tracey [OMP]; Ong, Gregory [HCS]; Butler, Dave [JANUS]; Farley, Brett [JAN]
Subject: Omnicare Levaquin Profitability Model

Omnicare Levaquin Analysis on Profitability.

What this tells me is that for a \$3MM investment in rebates with Omnicare, I gain \$9MM in sales, less costs and investments, returns \$4.8MM to OMP.

Does everyone agree with the modeling concept, and the market share delta (30% over general). A similar "swag" rolled-up could be very telling, as PDLs grow, or rebate increases are demanded by the customer.

Omnicare Profitability for Levaquin

	Sales	Rebates
2Q'02	\$ 5,164,761	\$ (774,668)

Annualized	\$ 20,659,044	\$ (3,098,673)
Market Share	68.44%	
Share Point Value	\$ 301,856	
Omnicare Share over Market	30%	
Incremental Sales	\$ 9,055,688	\$ 9,055,688
Standard Price/Unit	\$ 8	
Incremental Units	1,123,535	
Standard Cost	0.9808	
Incremental Cost	\$ (1,101,963)	\$ (1,101,963)
Less Rebates (Investment)		\$ (3,098,673)
		\$ 4,855,053

Thoughts?

Tim Forsthoefel, RPh, MBA

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